

Yapı ve Kredi Bankası A.Ş.

**Publicly announced unconsolidated financial statements and
related disclosures at June 30, 2021 together with
auditor's review report**

**(Convenience translation of publicly announced unconsolidated financial
statements and review report originally issued in Turkish, See
Note I. of Section three)**

AUDITOR’S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor’s review report originally issued in Turkish, See Note I of Section Three)

To the General Assembly of Yapı ve Kredi Bankası A.Ş.;

Introduction

We have reviewed the unconsolidated balance sheet of Yapı ve Kredi Bankası A.Ş. (“the Bank”) at 30 June 2021 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information does not present fairly in all material respects the financial position of Yapı ve Kredi Bankası A.Ş. at 30 June 2021 and its financial performance and its cash flows for the six-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Seven, is not consistent with the reviewed unconsolidated financial statements and disclosures in all material respects.

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Halûk Yalçın, SMMM
Partner

Istanbul, 30 July 2021

Convenience translation of publicly announced unconsolidated interim financial statements and review report originally issued in Turkish, See Note I. of Section three

**THE UNCONSOLIDATED INTERIM FINANCIAL REPORT OF
YAPI VE KREDİ BANKASI A.Ş. AS OF JUNE 30, 2021**

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The unconsolidated financial report for the six months which is prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- **GENERAL INFORMATION ABOUT THE BANK**
- **UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK**
- **EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD**
- **INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**
- **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**
- **INDEPENDENT AUDITOR’S REVIEW REPORT**
- **INTERIM ACTIVITY REPORT**

The accompanying unconsolidated financial statements for the six months period, related disclosures and footnotes which have been limitedly reviewed and presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidances, and in compliance with the financial records of the Bank, and unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Y. Ali KOÇ
Chairman of the
Board of Directors

Gökhan ERÜN
Executive Director and
CEO

Demir KARAASLAN
Chief Financial Officer

B. Seda İKİZLER
Financial Reporting and
Accounting Executive
Vice President

Dr. Ahmet ÇİMENÖĞLU
Chairman of the Audit
Committee

Mehmet TIRNAKLI
Member of the Audit
Committee

Nevin İPEK
Member of the Audit
Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:
Name-Surname / Title: Cengiz TİMURÖĞLU / Balance Sheet Management and Financial Analysis Manager
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Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section one

General Information

1. History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any:

Yapı ve Kredi Bankası A.Ş. ("the Bank" or "Yapı Kredi"), was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

2. Explanations about the Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank:

Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987. As of June 30, 2021, 30,03 % of the shares of the Bank are publicly traded (December 31, 2020 - 30,03%). 40,95% of the shares out of the remaining 69,97% is owned by Koç Finansal Hizmetler A.Ş. ("KFS") which is owned by Koç Group, 9,02% is owned by Koç Group and 20,00% is owned by UniCredit ("UCG").

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Bank increased to 81,80%. KFS shares increased to 81,90% with the capital increase by TL 4,1 billion in 2018.

As of November 30, 2019, Koç Group and UCG have reached a deal to exchange their shares in the Bank and KFS.

Accordingly all the shares of KFS, which is currently a joint venture, are transferred to Koç Group. Besides, after the shares are transferred, KFS holds 40,95%, UCG holds 31,93% directly and Koç Group holds a total of 49,99% directly and indirectly of the Bank shares and became controlling shareholder.

In addition, as of February 6, 2020, UniCredit also announced the placement of an 11,93% shares in Bank to institutional investors. The transaction has been completed on February 13, 2020. As a result UCG holds directly 20,00% of the Bank shares.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of June 30, 2021, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
A. Ümit TAFTALI	Member
Ahmet ÇİMENÖĞLU	Independent Member
Ahmet Fadıl AŞHABOĞLU	Member
Mehmet TIRNAKLI	Independent Member
Melih POYRAZ	Member
Nevin İPEK	Independent Member
Niccolò UBERTALLI	Member
Virma SÖKMEN	Independent Member
Wolfgang SCHILK	Member

Audit Committee Members:

Name	Responsibility
Ahmet ÇİMENÖĞLU	Chairman
Mehmet TIRNAKLI	Member
Nevin İPEK	Member

General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO

Assistant General Managers⁽¹⁾:

Name	Responsibility
Abdullah GEÇER	Internal Audit
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Financial Planning and Administration Management
Hakan ALP	Human Resources, Organization and Internal Services Management
Mehmet Erkan ÖZDEMİR	Compliance, Internal Control and Risk Management / Consumer Relations Coordination Officer
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

(1) Erhan Adalı, Assistant General Manager responsible for Corporate, Commercial and SME Banking and Nurgün Eyüboğlu, Assistant General Manager responsible for Credits have been resigned from their positions as of June 1, 2021.

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4. Information on the individual and corporate shareholders having control shares of the Bank :

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	3.459.065.642,23	40,95	3.459.065.642,23	-
Koç Group	762.197.343,00	9,02	762.197.343,00	-
UniCredit	1.689.410.260,00	20,00	1.689.410.260,00	-

Koç Finansal Hizmetler A.Ş. is managed of Koç Group, and Temel Ticaret ve Yatırım A.Ş.

5. Summary information on the Bank's activities and service types:

The Bank's activities summarized from the section 3 of the articles of association are as follows.

The Bank's purpose and subject matter, in accordance with the Banking Law, regulations and existing laws, include;

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of June 30, 2021, the Bank has 834 branches operating in Turkey and 1 branch in overseas (December 31, 2020 - 834 branches operating in Turkey, 1 branch in overseas).

As of June 30, 2021, the Bank has 15.930 employees (December 31, 2020 - 16.037 employees).

6. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods :

According to Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank is consolidated through "Equity Method" in the consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., Yapı Kredi Teknoloji A.Ş. and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities :

None.

Yapı ve Kredi Bankası A.Ş.**Unconsolidated financial statements as of June 30, 2021 and December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section two - Unconsolidated financial statements**1. Balance sheet (Statement of Financial Position)**

ASSET	Note (Section five)	Current Period (30/06/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		39.602.339	75.283.308	114.885.647	39.466.962	59.696.272	99.163.234
1.1 Cash and Cash Equivalents	1.1	10.299.071	70.211.245	80.510.316	15.450.934	52.235.063	67.685.997
1.1.1 Cash and Balances with Central Bank		10.313.341	56.625.834	66.939.175	10.500.064	44.527.408	55.027.472
1.1.2 Banks	1.4	855	13.693.431	13.694.286	3.277.545	7.786.582	11.064.127
1.1.3 Money Markets		-	-	-	1.700.842	-	1.700.842
1.1.4 Provisions for Expected Losses (-)		15.125	108.020	123.145	27.517	78.927	106.444
Financial assets where fair value change is reflected to income statement		305.587	707.084	1.012.671	334.865	663.685	998.550
1.2	1.2						
1.2.1 Government debt securities		62.755	144.809	207.564	106.399	170.315	276.714
1.2.2 Share certificates		228.446	-	228.446	228.446	-	228.446
1.2.3 Other financial assets		14.386	562.275	576.661	20	493.370	493.390
Financial assets where fair value change is reflected to other comprehensive income statement		22.541.571	2.928.624	25.470.195	19.707.924	5.156.243	24.864.167
1.3	1.5,1.6						
1.3.1 Government debt securities		22.523.612	2.234.244	24.757.856	19.689.965	3.203.038	22.893.003
1.3.2 Share certificates		17.959	3.243	21.202	17.959	3.494	21.453
1.3.3 Other financial assets		-	691.137	691.137	-	1.949.711	1.949.711
1.4 Derivative Financial Assets	1.3	6.456.110	1.436.355	7.892.465	3.973.239	1.641.281	5.614.520
1.4.1 Derivative financial assets where fair value change is reflected to income statement		5.189.966	1.435.169	6.625.135	3.426.581	1.641.281	5.067.862
1.4.2 Derivative financial assets where fair value change is reflected to other comprehensive income statement		1.266.144	1.186	1.267.330	546.658	-	546.658
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		228.825.638	135.042.691	363.868.329	199.983.805	120.774.513	320.758.318
2.1 Loans	1.7	207.001.081	117.415.782	324.416.863	186.414.212	106.811.212	293.225.424
2.2 Receivables From Leasing Transactions (Net)	1.12	-	-	-	-	-	-
2.3 Factoring Receivables		300.121	-	300.121	701.421	-	701.421
2.4 Financial Assets Measured at Amortised Cost	1.8	39.305.322	24.244.077	63.549.399	30.863.534	19.878.378	50.741.912
2.4.1 Government debt securities		38.974.518	24.244.077	63.218.595	30.532.730	19.878.378	50.411.108
2.4.2 Other financial assets		330.804	-	330.804	330.804	-	330.804
2.5 Provisions for Expected Losses (-)		17.780.886	6.617.168	24.398.054	17.995.362	5.915.077	23.910.439
ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	1.15	1.373.594	-	1.373.594	709.869	-	709.869
3.1 Held for Sale Purposes		1.373.594	-	1.373.594	709.869	-	709.869
3.2 Related to Discontinued Operations		-	-	-	-	-	-
INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	1.9	4.643.109	6.841.274	11.484.383	4.207.346	5.849.369	10.056.715
4.1 Investments in Associates (net)		11.786	1.370.082	1.381.868	11.786	1.203.097	1.214.883
4.1.1 Consolidated based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated		11.786	1.370.082	1.381.868	11.786	1.203.097	1.214.883
4.2 Subsidiaries (Net)	1.10	4.631.323	5.471.192	10.102.515	4.172.686	4.646.272	8.818.958
4.2.1 Unconsolidated Financial Subsidiaries		4.624.023	5.471.192	10.095.215	4.165.386	4.646.272	8.811.658
4.2.2 Unconsolidated Non-Financial Subsidiaries		7.300	-	7.300	7.300	-	7.300
4.3 Joint Ventures (Net)	1.11	-	-	-	22.874	-	22.874
4.3.1 Consolidated based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated		-	-	-	22.874	-	22.874
V. PROPERTY AND EQUIPMENT (Net)		4.533.928	-	4.533.928	4.474.095	-	4.474.095
VI. INTANGIBLE ASSETS [Net]		1.940.009	-	1.940.009	1.916.463	-	1.916.463
6.1 Goodwill		979.493	-	979.493	979.493	-	979.493
6.2 Other		960.516	-	960.516	936.970	-	936.970
VII. INVESTMENT PROPERTY (Net)	1.13	-	-	-	-	-	-
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	1.14	2.769.419	-	2.769.419	3.563.486	-	3.563.486
X. OTHER ASSETS	1.16	6.280.645	13.867.421	20.148.066	3.908.047	15.143.831	19.051.878
TOTAL ASSETS		289.968.681	231.034.694	521.003.375	258.230.073	201.463.985	459.694.058

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.**Unconsolidated financial statements as of June 30, 2021 and December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1. Balance sheet (Statement of Financial Position)

LIABILITIES	Note (Section five)	Current Period (30/06/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	2.1	121.691.344	161.594.719	283.286.063	108.322.127	145.958.029	254.280.156
II. BORROWINGS	2.3.1	1.417.861	43.747.426	45.165.287	743.762	37.536.677	38.280.439
III. MONEY MARKETS		34.265.974	2.913.261	37.179.235	25.128.184	2.577.154	27.705.338
IV. MARKETABLE SECURITIES ISSUED (Net)	2.3.4	6.177.706	18.123.222	24.300.928	5.234.462	15.282.960	20.517.422
4.1 Bills		4.913.396	-	4.913.396	3.623.981	-	3.623.981
4.2 Asset backed Securities		-	-	-	-	-	-
4.3 Bonds		1.264.310	18.123.222	19.387.532	1.610.481	15.282.960	16.893.441
V. FUNDS		-	-	-	-	-	-
5.1 Bomower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	2.3.3.2	743.282	13.810.469	14.553.751	806.619	12.081.212	12.887.831
7.1 Derivative Liabilities at Fair Value Through Profit and Loss	2.2	4.879.747	2.885.340	7.765.087	7.563.486	3.020.704	10.584.190
7.2 Derivative Liabilities at Fair Value Through Other Comprehensive Profit		4.754.148	2.037.694	6.791.842	5.981.998	1.979.264	7.961.262
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES (Net)	2.5	1.077.562	12.918	1.090.480	1.066.532	9.695	1.076.227
X. PROVISIONS	2.6	4.242.463	593.210	4.835.673	3.951.179	417.357	4.368.536
10.1 Provisions for Restructuring		-	-	-	-	-	-
10.2 Provisions for Employee Rights		-	-	-	-	-	-
10.3 Insurance Technical Provisions (Net)	2.6.1	921.529	-	921.529	804.128	-	804.128
10.4 Other Provisions		-	-	-	-	-	-
XI. CURRENT TAX LIABILITIES	2.6.3	3.320.934	593.210	3.914.144	3.147.051	417.357	3.564.408
XII. DEFERRED TAX LIABILITIES	2.7	706.265	-	706.265	1.920.873	-	1.920.873
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	2.8	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT	2.9	878.427	25.915.497	26.793.924	838.459	21.816.595	22.655.054
14.1 Loans		-	7.477.716	7.477.716	-	6.305.871	6.305.871
14.2 Other Facilities		878.427	18.437.781	19.316.208	838.459	15.510.724	16.349.183
XV. OTHER LIABILITIES	2.4	20.585.608	2.329.214	22.914.822	16.522.539	1.330.982	17.853.521
XVI. SHAREHOLDERS' EQUITY	2.10	47.900.506	4.511.354	52.411.860	44.042.839	3.521.632	47.564.471
16.1 Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2 Capital Reserves		2.155.905	-	2.155.905	2.007.489	-	2.007.489
16.2.1 Share premium		556.937	-	556.937	556.937	-	556.937
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.598.968	-	1.598.968	1.450.552	-	1.450.552
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		2.177.032	437.614	2.614.646	2.230.784	436.694	2.667.478
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		(1.204.265)	4.073.740	2.869.475	(1.930.320)	3.084.938	1.154.618
16.5 Profit Reserves		32.639.419	-	32.639.419	28.208.317	-	28.208.317
16.5.1 Legal Reserves		1.544.526	-	1.544.526	1.282.785	-	1.282.785
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		31.094.893	-	31.094.893	26.925.454	-	26.925.454
16.5.4 Other Profit Reserves		-	-	-	78	-	78
16.6 Profit or loss		3.685.364	-	3.685.364	5.079.518	-	5.079.518
16.6.1 Prior years' profits or losses		-	-	-	-	-	-
16.6.2 Current period net profit or loss		3.685.364	-	3.685.364	5.079.518	-	5.079.518
TOTAL LIABILITIES		244.566.745	276.436.630	521.003.375	216.141.061	243.552.997	459.694.058

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 30, 2021 and December 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2. Off-balance sheet commitments

Off-balance sheet commitments		Note (Section five)	Current Period (30/06/2021)			Prior Period (31/12/2020)		
			TL	FC	Total	TL	FC	Total
A.	Off-balance sheet commitments (I-II-III)		288.862.190	446.155.376	735.017.566	259.441.518	394.890.440	654.331.958
I.	Guarantees and warranties	3.1.2.1.2	36.374.240	86.677.571	123.051.811	32.562.747	68.664.534	101.227.281
1.1.	Letters of guarantee	3.1.2.2	35.758.896	59.686.702	95.445.598	32.043.714	49.951.728	81.995.442
1.1.1.	Guarantees subject to state tender law		536.878	723.450	1.260.328	545.671	641.351	1.187.022
1.1.2.	Guarantees given for foreign trade operations		5.885.505	58.963.252	64.848.757	5.380.758	49.310.377	54.691.135
1.1.3.	Other letters of guarantee		29.336.513	-	29.336.513	26.117.285	-	26.117.285
1.2.	Bank acceptances		-	283.805	283.805	-	238.025	238.025
1.2.1.	Import letter of acceptance		-	283.805	283.805	-	238.025	238.025
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		163.101	15.398.941	15.562.042	37.184	8.974.338	9.011.522
1.3.1.	Documentary letters of credit		163.101	15.398.941	15.562.042	37.184	8.974.338	9.011.522
1.3.2.	Other letters of credit		-	-	-	-	-	-
1.4.	Prefinancing given as guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7.	Factoring guarantees		-	-	-	-	-	-
1.8.	Other guarantees		452.243	5.454.830	5.907.073	481.849	4.613.529	5.095.378
1.9.	Other warranties		-	5.853.293	5.853.293	-	4.886.914	4.886.914
II.	Commitments		101.880.878	42.508.100	144.388.978	81.424.789	32.831.632	114.256.421
2.1.	Irrevocable commitments		100.060.703	22.934.525	122.995.228	79.209.005	13.218.499	92.427.504
2.1.1.	Asset purchase and sale commitments		11.256.497	20.497.849	31.754.346	2.905.074	11.632.591	14.537.665
2.1.2.	Deposit purchase and sales commitments		-	1.554.675	1.554.675	-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4.	Loan granting commitments		21.362.110	565.066	21.927.176	17.187.740	788.342	17.976.082
2.1.5.	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve requirements		-	-	-	-	-	-
2.1.7.	Commitments for checks payments		4.218.526	-	4.218.526	3.437.866	-	3.437.866
2.1.8.	Tax and fund liabilities from export commitments		4.518	-	4.518	6.476	-	6.476
2.1.9.	Commitments for credit card expenditure limits		53.081.834	-	53.081.834	48.016.964	-	48.016.964
2.1.10.	Commitments for credit cards and banking services promotions		54.014	-	54.014	51.868	-	51.868
2.1.11.	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		10.083.204	316.935	10.400.139	7.603.017	797.566	8.400.583
2.2.	Revocable commitments		1.820.175	19.573.575	21.393.750	2.215.784	19.613.133	21.828.917
2.2.1.	Revocable loan granting commitments		1.820.175	19.573.575	21.393.750	2.215.784	19.613.133	21.828.917
2.2.2.	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		150.607.072	316.969.705	467.576.777	145.453.982	293.394.274	438.848.256
3.1.	Derivative financial instruments held for hedging		40.710.141	51.476.351	92.186.492	43.572.841	51.075.652	94.648.493
3.1.1.	Fair value hedges		270.141	865.436	1.135.577	270.141	3.071.548	3.341.689
3.1.2.	Cash flow hedges		40.440.000	50.610.915	91.050.915	43.302.700	48.004.104	91.306.804
3.1.3.	Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2.	Trading transactions		109.896.931	265.493.354	375.390.285	101.881.141	242.318.622	344.199.763
3.2.1.	Forward foreign currency purchase and sale transactions		8.517.040	11.335.830	19.852.870	6.888.256	9.202.912	16.091.168
3.2.1.1.	Forward foreign currency purchase transactions		5.846.095	4.280.266	10.126.361	4.448.705	3.826.597	8.275.302
3.2.1.2.	Forward foreign currency sale transactions		2.670.945	7.055.564	9.726.509	2.439.551	5.376.315	7.815.866
3.2.2.	Currency and interest rate swaps		92.017.991	205.173.538	297.191.529	87.718.704	186.256.071	273.974.775
3.2.2.1.	Currency swap purchase transactions		4.798.106	73.958.388	78.756.494	4.295.544	59.534.640	63.830.184
3.2.2.2.	Currency swap sale transactions		54.408.985	25.051.580	79.460.565	46.573.260	20.622.433	67.195.693
3.2.2.3.	Interest rate swap purchase transactions		16.405.450	53.081.785	69.487.235	18.424.950	53.049.499	71.474.449
3.2.2.4.	Interest rate swap sale transactions		16.405.450	53.081.785	69.487.235	18.424.950	53.049.499	71.474.449
3.2.3.	Currency, interest rate and securities options		1.813.236	12.063.654	13.876.890	1.575.674	12.640.133	14.215.807
3.2.3.1.	Currency purchase options		384.178	3.913.951	4.298.129	531.763	4.198.665	4.730.428
3.2.3.2.	Currency sale options		829.058	3.546.675	4.375.733	324.741	4.555.975	4.880.716
3.2.3.3.	Interest rate purchase options		300.000	3.096.647	3.396.647	300.000	3.372.515	3.672.515
3.2.3.4.	Interest rate sale options		300.000	1.506.381	1.806.381	419.170	512.978	932.148
3.2.3.5.	Securities purchase options		-	-	-	-	-	-
3.2.3.6.	Securities sale options		-	-	-	-	-	-
3.2.4.	Currency futures		111.959	110.156	222.115	212.403	201.864	414.267
3.2.4.1.	Currency purchase futures		111.959	-	111.959	-	201.864	201.864
3.2.4.2.	Currency sale futures		-	110.156	110.156	212.403	-	212.403
3.2.5.	Interest rate futures		-	-	-	-	-	-
3.2.5.1.	Interest rate purchase futures		-	-	-	-	-	-
3.2.5.2.	Interest rate sale futures		-	-	-	-	-	-
3.2.6.	Other		7.436.705	36.810.176	44.246.881	5.486.104	34.017.642	39.503.746
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		574.837.548	203.299.731	778.137.279	531.392.413	176.009.181	707.401.594
IV.	ITEMS HELD IN CUSTODY		69.165.314	15.497.170	84.662.484	63.730.107	11.392.380	75.122.487
4.1.	Assets under management		30.146.293	2.784.945	32.931.238	33.024.406	825.231	33.849.637
4.2.	Securities held in custody		4.640.071	12.076.283	16.716.354	5.832.697	10.057.701	15.890.398
4.3.	Checks received for collection		26.009.427	50.767	26.060.194	19.104.894	29.949	19.134.843
4.4.	Commercial notes received for collection		8.311.379	447.668	8.759.047	5.709.966	360.665	6.070.631
4.5.	Other assets received for collection		-	109.912	109.912	-	95.112	95.112
4.6.	Securities received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		58.144	27.595	85.739	58.144	23.722	81.866
4.8.	Custodians		-	-	-	-	-	-
V.	PLEDGED ITEMS		478.491.752	167.964.360	646.456.112	437.496.682	146.057.568	583.554.250
5.1.	Marketable securities		815.071	966	816.037	824.223	814	825.037
5.2.	Guarantee notes		552.442	387.389	939.831	585.521	365.529	951.050
5.3.	Commodity		5.912	-	5.912	6.297	-	6.297
5.4.	Warrant		-	-	-	-	-	-
5.5.	Immovables		151.929.348	31.067.700	182.997.048	144.638.689	32.338.527	176.977.216
5.6.	Other pledged items		325.188.979	136.492.625	461.681.604	291.441.952	113.339.435	404.781.387
5.7.	Depositories receiving pledged items		-	15.680	15.680	-	13.263	13.263
VI.	ACCEPTED GUARANTEES AND WARRANTIES		27.180.482	19.838.201	47.018.683	30.165.624	18.559.233	48.724.857
TOTAL OFF BALANCE SHEET COMMITMENTS)			863.699.738	649.455.107	1.513.154.845	790.833.931	570.899.621	1.361.733.552

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.**Unconsolidated financial statements as of June 30, 2021 and 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Statements of Profit or Loss

Income and expense items		Note (Section five)	Current Period (01/01/2021 - 30/06/2021)	Prior Period (01/01/2020 - 30/06/2020)
I.	INTEREST INCOME	4.1	21.574.046	15.300.317
1.1	Interest on Loans	4.1.1	16.160.340	12.222.526
1.2	Interest received from reserve deposits		320.741	13.244
1.3	Interest Received from Banks	4.1.2	156.760	270.962
1.4	Interest Received from Money Market Transactions		14.721	74.476
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	4.893.634	2.692.664
1.5.1	Financial Assets at Fair Value Through Profit and Loss		10.908	5.494
1.5.2	Financial Assets at Fair Value Through Other Comprehensive income		1.617.014	1.345.290
1.5.3	Financial assets measured at amortised cost		3.265.712	1.341.880
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		27.850	26.445
II.	INTEREST EXPENSE (-)	4.2	13.099.823	7.452.676
2.1	Interest on Deposits	4.2.5	7.198.357	4.302.039
2.2	Interest on Funds Borrowed	4.2.1	960.895	1.102.569
2.3	Interest expense on money market transactions	4.2.4	2.722.151	144.766
2.4	Interest on Securities Issued	4.2.3	2.119.927	1.598.686
2.5	Interest on Lease Payables		78.649	82.471
2.6	Other Interest Expense		19.844	222.145
III.	NET INTEREST INCOME/EXPENSE (I - II)		8.474.223	7.847.641
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		3.285.188	2.558.648
4.1	Fees and Commissions Received		4.307.934	3.100.778
4.1.1	Non-cash Loans		562.987	483.046
4.1.2	Other	4.1.1	3.744.947	2.617.732
4.2	Fees and Commissions Paid		1.022.746	542.130
4.2.1	Non-cash Loans		317	303
4.2.2	Other		1.022.429	541.827
V.	DIVIDEND INCOME		2.141	2.008
VI.	TRADING PROFIT/LOSS (Net)	4.3	(1.370.435)	363.216
6.1	Trading Gains/Losses on Securities		93.939	300.628
6.2	Derivative Financial Transactions Gains/Losses	4.5	4.123.610	2.217.984
6.3	Foreign Exchange Gains/Losses		(5.587.984)	(2.155.396)
VII.	OTHER OPERATING INCOME	4.6	993.563	639.109
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		11.384.680	11.410.622
IX.	PROVISION FOR EXPECTED LOSSES (-)	4.4	2.944.546	4.534.593
X.	OTHER PROVISION EXPENSES (-)	4.4	118.885	407.154
XI.	PERSONNEL EXPENSES (-)		1.859.988	1.705.636
XII.	OTHER OPERATING EXPENSES (-)	4.7	2.587.660	2.170.723
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		3.873.601	2.592.516
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		617.008	435.874
XVI.	NET MONETARY POSITION GAIN/LOSS)		-	-
	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS		4.490.609	3.028.390
XVII.	(XIII+XIV+XV+XVI)	4.8		
	PROVISION FOR TAXES ON INCOME FROM CONTINUING		805.245	567.616
XVIII.	OPERATIONS (±)	4.9		
18.1	Current Tax Provision		176.558	1.486.148
18.2	Expense effect of deferred tax (+)		628.687	-
18.3	Income effect of deferred tax (-)		-	(918.532)
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)		3.685.364	2.460.774
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS		-	-
XXII.	(XX - XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
	NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS		-	-
XXIV.	(XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	4.10	3.685.364	2.460.774
	Earnings/(loss) per share (full TL)		0,0044	0,0029

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.**Unconsolidated financial statements as of June 30, 2021 and 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Statements of Profit or Loss

Income and expense items		Note (Section five)	Current Period (01/04/2021 - 30/06/2021)	Prior Period (01/04/2020 - 30/06/2020)
I.	INTEREST INCOME	4.1	11.790.993	7.601.797
1.1	Interest on Loans	4.1.1	8.589.126	6.069.130
1.2	Interest received from reserve deposits		199.638	-
1.3	Interest Received from Banks	4.1.2	82.441	92.325
1.4	Interest Received from Money Market Transactions		4.320	34.085
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	2.901.371	1.402.257
1.5.1	Financial Assets at Fair Value Through Profit and Loss		5.571	4.256
1.5.2	Financial Assets at Fair Value Through Other Comprehensive income		914.690	683.359
1.5.3	Financial assets measured at amortised cost		1.981.110	714.642
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		14.097	4.000
II.	INTEREST EXPENSE (-)	4.2	7.027.064	3.726.807
2.1	Interest on Deposits	4.2.5	3.838.927	2.103.241
2.2	Interest on Funds Borrowed	4.2.1	521.564	532.855
2.3	Interest expense on money market transactions	4.2.4	1.558.120	103.550
2.4	Interest on Securities Issued	4.2.3	1.066.882	827.244
2.5	Interest on Lease Payables		34.779	39.769
2.6	Other Interest Expense		6.792	120.148
III.	NET INTEREST INCOME/EXPENSE (I - II)		4.763.929	3.874.990
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		1.630.942	1.135.320
4.1	Fees and Commissions Received		2.213.850	1.386.518
4.1.1	Non-cash Loans		284.732	233.710
4.1.2	Other	4.1.1	1.929.118	1.152.808
4.2	Fees and Commissions Paid		582.908	251.198
4.2.1	Non-cash Loans		167	90
4.2.2	Other		582.741	251.108
V	DIVIDEND INCOME		282	1.613
VI.	TRADING PROFIT/LOSS (Net)	4.3	(1.136.892)	153.047
6.1	Trading Gains/Losses on Securities		82.602	141.695
6.2	Derivative Financial Transactions Gains/Losses	4.5	933.015	1.593.919
6.3	Foreign Exchange Gains/Losses		(2.152.509)	(1.582.567)
VII.	OTHER OPERATING INCOME	4.6	436.189	209.298
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		5.694.450	5.374.268
IX.	PROVISION FOR EXPECTED LOSSES (-)	4.4	915.274	2.013.393
X.	OTHER PROVISION EXPENSES (-)	4.4	2.980	23.684
XI.	PERSONNEL EXPENSES (-)		946.543	847.739
XII.	OTHER OPERATING EXPENSES (-)	4.7	1.336.199	1.074.539
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		2.493.454	1.414.913
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		266.471	229.153
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)	4.8	2.759.925	1.644.066
XVIII.	OPERATIONS (±)	4.9	527.290	312.735
18.1	Current Tax Provision		176.558	1.212.472
18.2	Expense effect of deferred tax (+)		350.732	-
18.3	Income effect of deferred tax (-)		-	899.737
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)		2.232.635	1.331.331
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX - XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	4.10	2.232.635	1.331.331
	Earnings/(loss) per share (full TL)		0,0026	0,0016

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 30, 2021 and 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

4. Statement of Profit or Loss and Other Comprehensive Income

	Current Period	Prior Period
	(30/06/2021)	(30/06/2020)
I. PROFIT/(LOSS)	3.685.364	2.460.774
II. OTHER COMPREHENSIVE INCOME	1.662.025	468.309
2.1 Other comprehensive income that will not be reclassified to profit or loss	(52.832)	(60.059)
2.1.1 Gains (losses) on Revaluation of Property, Plant and Equipment	-	389
2.1.2 Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3 Gains (losses) on remeasurements of defined benefit plans	(49.873)	(59.794)
2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	(13.990)	(15.468)
2.1.5 Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	11.031	14.814
2.2 Other Comprehensive Income That Will Be Reclassified to Profit or Loss	1.714.857	528.368
2.2.1 Exchange Differences on Translation	890.519	698.130
2.2.2 Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(251.184)	571.056
2.2.3 Income (loss) Related with Cash Flow Hedges	1.900.146	(304.942)
2.2.4 Income (loss) Related with Hedges of Net Investments in Foreign Operations	(648.213)	(483.759)
2.2.5 Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6 Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(176.411)	47.883
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	5.347.389	2.929.083

The accompanying explanations and notes form an integral part of these financial statements.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5. Statement of changes in shareholders' equity

CHANGES IN SHAREHOLDER'S EQUITY	Current Period (30/06/2021)				Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income			Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total shareholders' equity
	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	That Will Not Be Reclassified In Profit and Loss			That Will Be Reclassified In Profit and Loss						
					1	2	3	4	5	6				
I. Balance at the beginning of the period	8.447.051	556.937	-	1.450.552	1.853.991	(377.130)	1.190.617	3.973.774	213.352	(3.032.508)	28.208.317	-	5.079.518	47.564.471
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.450.552	1.853.991	(377.130)	1.190.617	3.973.774	213.352	(3.032.508)	28.208.317	-	5.079.518	47.564.471
IV. Total comprehensive income (loss)	-	-	-	-	1.056	(39.898)	(13.990)	890.519	(200.948)	1.025.286	-	-	3.685.364	5.347.389
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	78	-	-	-	-	-	-	(78)	-	-	-
XI. Profit distribution	-	-	-	148.338	-	-	-	-	-	-	4.431.180	-	(5.079.518)	(500.000)
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	(500.000)	(500.000)
11.2. Transfers to legal reserves	-	-	-	148.338	-	-	-	-	-	-	4.431.180	-	(4.579.518)	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.598.968	1.855.047	(417.028)	1.176.627	4.864.293	12.404	(2.007.222)	32.639.419	-	3.685.364	52.411.860

1. Tangible assets revaluation reserve,
2. Accumulated gains/ losses on remeasurements of defined benefit plans
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss
4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income
6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

The accompanying explanations and notes form an integral part of these financial statements.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 30, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5. Statement of changes in shareholders' equity

CHANGES IN SHAREHOLDER'S EQUITY	Prior Period (30/06/2020)				Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income			Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total shareholders' equity
	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	That Will Not Be Reclassified In Profit and Loss			That Will Be Reclassified In Profit and Loss						
					1	2	3	4	5	6				
I. Balance at the beginning of the period	8.447.051	556.937	-	1.441.699	1.858.419	(269.552)	1.191.459	2.492.776	(146.942)	(2.621.000)	24.636.747	-	3.600.060	41.187.654
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.441.699	1.858.419	(269.552)	1.191.459	2.492.776	(146.942)	(2.621.000)	24.636.747	-	3.600.060	41.187.654
IV. Total comprehensive income (loss)	-	-	-	-	(1.397)	(46.640)	(12.022)	698.130	445.424	(615.186)	-	-	2.460.774	2.929.083
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	6.008	-	-	-	-	-	-	(322)	-	-	5.686
XI. Profit distribution	-	-	-	2.551	-	-	-	-	-	-	3.597.509	-	(3.600.060)	-
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	2.551	-	-	-	-	-	-	3.597.509	-	(3.600.060)	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.450.258	1.857.022	(316.192)	1.179.437	3.190.906	298.482	(3.236.186)	28.233.934	-	2.460.774	44.122.423

1. Tangible assets revaluation reserve,
2. Accumulated gains/ losses on remeasurements of defined benefit plans
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss
4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income
6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements as of June 30, 2021 and 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

6. Statement of cash flows

	(Notes section five)	Current Period (30/06/2021)	Prior Period (30/06/2020)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		198.428	10.018.578
1.1.1 Interest received		17.496.190	14.477.252
1.1.2 Interest paid		(12.436.499)	(7.452.676)
1.1.3 Dividend received		45.089	141.698
1.1.4 Fees and commissions received		4.307.934	3.100.778
1.1.5 Other income		(4.763.987)	3.108.563
1.1.6 Collections from previously written-off loans and other receivables		1.126.055	851.825
1.1.7 Cash Payments to personnel and service suppliers		(3.977.692)	(3.471.264)
1.1.8 Taxes paid		(1.591.329)	(759.041)
1.1.9 Other		(7.333)	21.443
1.2 Changes in operating assets and liabilities subject to banking operations		6.910.864	(19.614.132)
1.2.1 Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(58.068)	(123.990)
1.2.2 Net (increase) decrease in due from banks		(9.177.456)	(12.353.027)
1.2.3 Net (increase) decrease in loans		(33.921.559)	(28.245.944)
1.2.4 Net (increase) decrease in other assets		(82.579)	(5.050.336)
1.2.5 Net increase (decrease) in bank deposits		(1.427.259)	91.331
1.2.6 Net increase (decrease) in other deposits		30.138.327	17.634.655
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss		2.255.875	(29.549)
1.2.8 Net increase (decrease) in funds borrowed		16.400.210	6.778.437
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		2.783.373	1.684.291
I. Net cash provided from banking operations		7.109.292	(9.595.554)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(5.920.555)	(15.178.910)
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		-	-
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		18.270	-
2.3 Cash paid for the purchase of tangible and intangible asset		(301.960)	(261.886)
2.4 Cash obtained from the sale of tangible and intangible asset		196.657	82.622
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income		(2.922.280)	(12.645.512)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income		4.502.105	9.428.678
2.7 Cash paid for the purchase of financial assets at amortised cost		(7.591.201)	(13.909.217)
2.8 Cash obtained from sale of financial assets at amortised cost		177.854	2.126.405
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flows from financing activities		2.315.892	(2.197.451)
3.1 Cash obtained from funds borrowed and securities issued		15.505.083	17.360.377
3.2 Cash outflow from funds borrowed and securities issued		(12.463.463)	(19.358.318)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(500.000)	-
3.5 Payments for finance lease liabilities		(225.728)	(199.510)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		6.401.527	5.457.257
V. Net increase (decrease) in cash and cash equivalents		9.906.156	(21.514.658)
VI. Cash and cash equivalents at beginning of the period		45.189.882	60.275.596
VII. Cash and cash equivalents at end of the period		55.096.038	38.760.938

The accompanying explanations and notes form an integral part of these financial statements.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

Section three

Accounting policies

1. Explanations on basis of presentation:

The Bank keeps its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 (“Banking Act”), which is effective from November 1, 2005, the Turkish Commercial Code (“TCC”), and Turkish Tax Legislation.

The unconsolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents” published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency (“BRSA”) which refers to “Turkish Accounting Standards (“TAS”) 34 - Interim Financial Reporting” and “Turkish Financial Reporting Standards (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying unconsolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets/liabilities buildings and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies and valuation principles employed for the preparation the financial statements are in compliance with “Accounting and Reporting Legislation” published in the regulation, communiqué, interpretations and circular of BRSA. If there is no specific regulation of BRSA, it has been determined and applied in the context of TFRS.

The accounting principles are in accordance with the used principles in preparation of yearly financial statements as of December 31, 2020.

The social and economic measures have been taken to reduce negativity of COVID-19 epidemic, which was spread globally in the first half of 2020, in our country as in other countries where the epidemic is effective and measures with partial changes continue to be implemented.

The Bank has reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements as of December 31, 2020. The estimates and assumptions used in the calculation of expected credit losses are explained in the explanations on the impairment of financial assets.

Interest rate benchmark reform London Interbank Offered Rate (LIBOR) is the most widely referenced benchmark interest rate across the globe for derivatives, bonds, loans and other floating rate instruments; however, there is a regulator-led push to transition the market from LIBOR and certain other benchmark rates to alternative risk-free, or nearly risk-free, rates that are based on actual overnight transactions at the end of 2021. Derivatives, floating rate notes, loans and other financial contracts whose terms extend beyond the relevant discontinuation date, and that refer to certain benchmark rates (including LIBOR) as the reference rate, will be impacted.

In Turkey, Turkish Lira Overnight Reference Rate (“TLREF”) is created in order to meet the need of Turkish Lira short-term reference rate that can be used as an underlying or a benchmark in financial products, debt instruments and different types of financial contracts.

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Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

International Accounting Standards Board (“IASB”) published the Phase 1, Amendments to TAS 39, TFRS 9 and TFRS 7 in September 2019 and Phase 2, Amendments to IFRS 9, TAS 39, IFRS 7 and IFRS 16 in August 2020. The Phase 1, Amendments and The Phase 2, Amendments provide some specific reliefs on hedge accounting transactions and address issues that arise upon replacing the existing interest rate benchmark with the alternative interest rates and introduces additional disclosure requirements. There is no hedge relation discontinued due to this reform.

Interest rate contracts are used in hedge transactions to manage exposure to interest rate risk of assets and liabilities. The hedging instruments designated to manage these risks reference IBOR in multiple jurisdictions and will be affected by the reform as the markets transition to alternative risk free or nearly risk-free rates by 2021 and beyond.

The Phase 2 Amendments provide two key reliefs

- Modifications made as a direct result of the reform on an economically equivalent basis are reflected prospectively in the effective interest rate rather than as an immediate gain or loss.
- If qualifying criteria are met, hedging relationships that are directly impacted by the reform would be able to continue hedge accounting upon transition to alternative interest rates.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2. Explanations on strategy of using financial instruments and foreign currency transactions:

The general strategy of the Bank in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is deposits. For non-deposit items, the Bank maintains longer-term funding structure especially through long-term foreign borrowings. Funds from deposits and other funding sources are invested in high quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits approved in the Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is monitored within the limits determined by the Board of Directors under the context of Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of “Foreign exchange gains or losses”, except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Bank hedges foreign currency exposure arising from carrying its foreign subsidiaries at equity method, with foreign currency financial liabilities and applies net investment hedge accounting. The effective portions of the change in fair value in financial liabilities in foreign currency are recorded under “Other accumulated comprehensive income that will be reclassified in other profit or loss” in equity.

In order to eliminate the inconsistency in the recognition, the Bank might classify its financial liabilities as financial liabilities at fair value through profit / loss upon the initial recognition.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

3. Explanations on investments in associates, subsidiaries and joint ventures:

Associates, subsidiaries and joint ventures are being carried at equity method as defined in “TAS 28 - Investments in Associates and Joint Ventures” in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as “Other accumulated comprehensive income that will not be reclassified in profit or loss” under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and “Other accumulated comprehensive income that will not be reclassified in profit or loss” under the equity, respectively. This accounting policy change is performed through an early adaption before the effective date of January 1, 2016 in accordance with the change of “TAS – 27 Turkish Accounting Standards for Individual Financial Statements” numbered 29321 on April 9, 2015 and confirmation by BRSA’s letter numbered 10686 on July 14, 2015.

4. Explanations on forward and option contracts and derivative instruments:

The Bank’s derivative transactions mostly include money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method applied to the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Bank documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Bank regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in “Derivative Financial Transactions Gains/Losses” account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transaction is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or derecognition of the hedged item.

The Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using currency and interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in “Other accumulated comprehensive income that will be reclassified in profit or loss” under shareholders’ equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders’ equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Bank’s risk management policy, do not qualify for hedge accounting under the specific rules in “IFRS 9 - Financial Instruments” and are therefore treated as “Derivative financial assets at fair value through profit or loss”.

“Derivative financial assets at fair value through profit or loss” are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “Derivative financial assets at fair value through profit or loss”; and if the fair value difference is negative, it is disclosed under “Derivative financial liabilities at fair value through profit or loss”. Fair value changes are recorded under “Derivative Financial Transactions Gains/(Losses)” in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

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Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

Parameters used for the valuation of the option portfolio are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to “TFRS – 9 Financial Instruments” in case (i) the related embedded derivative’s economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of June 30, 2021, the Bank’s credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank’s management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with “TFRS – 9 Financial Instruments” and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Bank’s internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, currency exchange transactions, which are realized at value date in the initial phase of currency swaps, are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank’s over-the-counter derivative exposures to take into account the counterparty’s risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank’s over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, “TFRS – 9 Financial Instruments”, comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and rediscounts as of transfer to non performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts (“UCA”). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

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6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15.

7. Explanations on financial assets:

As of January 1, 2018, the Bank has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost

According to TFRS 9, classification of financial assets is based on two criterias; business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Bank manages the assets in order to generate cash flows. Bank's business model may be to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

The Bank owns Consumer Price Indexed (CPI) Government Bonds which are classified under "Fair value through other comprehensive income" and "measured at amortised cost" securities portfolio. Related securities are valued using the effective interest rate method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index (CPI) of prior two months.

Assessment of the business model

The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a single-instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences available at the assessment date have taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Bank's management;
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

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- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

If cash flows are realised in a way that is different from the expectations on the date of the assessment of the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

The business models are divided into three categories. These categories are defined below:

- Business model whose objective is to hold assets in order to collect contractual cash flows
Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Bank manages the assets held within the portfolio to collect those particular contractual cash flows.

Although the objective of Bank's business model may be to hold financial assets in order to collect contractual cash flows, the Bank does not need to hold all of those instruments until the maturity. Thus Bank's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Bank sells financial assets when there is an increase in the assets' credit risk. The Bank considers reasonable and supportable information, including forward looking information, in order to determine whether there has been an increase in the assets' credit risk. Regardless of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Bank's ability to collect contractual cash flows.

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Bank's management have made a decision on both collecting contractual cash flows and selling financial assets is necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on a daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Bank will both collect contractual cash flows and sell financial assets.

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

- Other business models

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Bank is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

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Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

When making such assessment, the Bank:

- contingent events that would change the amount and timing of cash flows
- leverage features
- prepayment and extension terms
- conditions restricting the Bank from asking the cash flows of the assets
- features that change the time value of the money

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

7.1. Financial assets at fair value through profit or loss

Financial assets, which are classified as “Financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at “Amortized cost” using the “Effective interest method”.

7.3. Loans :

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the “effective interest method”. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the UCA. Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in “foreign exchange gain/loss” accounts.

The Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering “IFRS 9- Financial Instruments” and the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) published in the Official Gazette No. 29750 dated June 22, 2016. In this context, the management estimates are determined on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

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Due to the impact of COVID-19 outbreak, the BRSA took the following decisions that was effective from March 17, 2020:

- The 90-day delay period that was envisaged for the classification of non-performing loans will be applied 180 days until September 30, 2021 for Stage 1 and 2 loans.
- The 30-day delay period that was envisaged for the classification of loans in stage 2 will be applied as 90 days until September 30, 2021 for Stage 1 loans.
- Continuing to allocate provisions according to their own risk models in the calculation of expected credit loss within the scope of IFRS 9 for loans, which are classified as Stage 2 despite a delay of more than 90 days and classified as Stage 1 despite a delay of more than 30 days.

As of June 30, 2021, the Bank has made its classifications in accordance with the changes mentioned above and reflected them in its financial statements. In this context; the Bank has evaluated many reasonable and supportable qualitative and quantitative data by taking into account the impact of COVID-19 in assessing whether there is a significant increase in credit risk in the classification of loans according to stages and determining the moment when the default situation occurs. It has classified the loans according to their stages according to its best judgment under the current conditions.

The Bank has taken into account the possible difficulties in the cash flows or payments of customers due to uncertainties regarding the COVID 19 epidemic process within the scope of IFRS 9 while calculating the expected credit loss for the loans classified according to their stages in the scope above. Based on this, the Bank has been allocating more provision for the loans which are classified as Stage 2 despite a delay of more than 90 days and classified as Stage 1 despite a delay of more than 30 days, in their stages according to credit risk models.

On the other hand, the Bank follow closely the processes related to the epidemic and continues its activities in this period with sensitivity in line with the needs of its individual and commercial customers, by postponing the debts due, restructuring with a grace period and allocating existing / additional limits. In this context the credit risk of customers which requests postponing is reflected to the estimates used in the calculation of expected credit loss by using expert judgement also taking into consideration historical data, current conditions and future expectations.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under “Other operating income”. The write off policy is described in the explanations and notes related to assets, fifth section.

7.4. Financial assets at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets’ cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be observed reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. “Unrealized gains and losses” arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders’ equity as “Other accumulated comprehensive income that will be reclassified in profit or loss”, until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. Interest and dividends received from Financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of a financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under “Profit/losses from capital market transactions”.

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7.5. Equity instruments measured at fair value through other comprehensive income:

At initial recognition, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9. Such election is made on an instrument by instrument basis.

Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit / loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation

8. Explanations on impairment of financial assets:

The Bank assesses the expected credit losses ("ECL") related with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income, with the exposure arising from loan commitments and financial guarantee contracts on a forward-looking basis. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this stage. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in stage 2 and stage 3.

General provisions represent ECLs for the first stage and the second stage, specific provisions represent ECLs for the third stage.

The Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
 - the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
 - the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
 - the Effective interest rate is the discount rate that expresses of the time value of money.
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Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removal of prudency principal required for IRB preparation phase;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase (TFRS-9 parameters developed over these parameters.);
- with reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudency principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to life-time, removing margin of prudency and including the expected discounted cash flow.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for stage allocation, the Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- absolute elements such as the backstops required by law;
- additional internal evidence

Significant increase in credit risk

In the assessment of significant increase in credit risk quantitative and qualitative assessments are made;

Quantitative Assessment:

As a result of quantitative assessment, related financial asset is classified as stage 2 (Significant Increase in Credit Risk) when any of the following criterias are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when more than 30 days past due status is reached. The Bank can abandon this estimation when it has reasonable and supportable information about customers contractual repayments.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on unindemnified non cash loans are evaluated as significant increase in credit risk.

Qualitative Assessment

The probability of significant increase in credit risk under qualitative assessment is based on the comparison of probability of default of a loan in the origination and as of reporting date.

The Bank uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

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Low credit risk

Financial instruments defined as low risk for TFRS 9 are;

- Receivables from Central Bank of the Republic of Turkey;
- Loans with counterparty of Treasury of the Republic of Turkey
- The issued securities or guaranteed marketable securities from central banks of the countries where Bank's subsidiaries, associates are resident;
- Bank placements;
- Other money market transactions;
- Transactions of Bank's associates and subsidiaries

Forward Looking Information

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. For the calculation of expected credit loss, Bank uses macroeconomic estimation method which is developed during creation of various scenarios. Macroeconomic variables prevailing during these estimates are Gross Domestic Product (GDP), Unemployment Rate, Foreign Trade Balance and Housing Price Index.

When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Bank evaluates 3 scenarios (base, pessimistic and optimistic) with various weights based. Each of these scenarios are in relation with different probability of default risk. Within the scope of the effects of COVID-19 on Expected Credit Loss calculations, the Bank has reviewed the macroeconomic model used in the process as of December 31, 2020, increased 30 basis points the weight of the pessimistic scenario by reducing the weight of the optimistic scenario with the same amount and used the data considered to reflect the current situation in the best way.

On the other hand, as of December 31, 2020, researches have been carried out on the sectors affected by COVID-19, the effects that belonged to the period which COVID-19 was the most effective, were segregated on a sectoral basis and analyzed whether in which direction the Borsa Istanbul Index data differed from the cumulative index data and this differentiation is reflected in the probability of default values on a sectoral basis.

The Bank revised its macroeconomic expectations due the effects of the COVID-19 pandemic and reflected the calculations made to its financial statements considering the probability of default values and the possible changes in the exposure at default. In this context, the Bank has measured the effect of the change in macroeconomic data used in the calculation of expected credit loss such as gross domestic product, unemployment rate and foreign trade deficit, on the non performing loans under different scenarios and reflected the coefficient increase, which was considered to be the most accurate, to its provision calculations by projecting it on the loan parameters within the range of NPL ratio obtained throughout the calculations. The Bank reflected the possible effects of the COVID-19 and estimation of cash flows with reasonable and supportable information used in calculating the expected loan loss provision for the loans subject to individual assessment. This preferred approach will be revised in the coming reporting periods considering the impact of the outbreak, the credit portfolio and changes in future expectations.

9. Explanations on offsetting financial assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Money market funds" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("Reverse repo") are accounted under "Receivables from money markets" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Bank has no securities lending transactions.

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11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the "IFRS – 5 Non-current Assets Held for Sale and Discontinued Operations", a tangible asset (or a bank of assets to be disposed) classified as "Asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a bank of assets to be disposed) is regarded as "Asset held for resale" only when the sale is highly probable and the asset (or a bank of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Bank's business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Bank's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquire before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with IFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "IFRS – 3 Business Combinations", the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with "IAS – 36 Impairment on Assets". For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment once a year. If there are any indications that the unit is impaired, the impairment test is performed more frequently. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Due to there is no evidence of impairment on the goodwill amount as a result of the impairment test, previous period fair value has been used.

12.2. Other intangible assets:

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Bank evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Bank estimates a recoverable amount in accordance with the "IAS – 36 Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit from the asset.

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13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with “TAS – 16 Property, Plant and Equipment”. Subsequently, properties and equipment, except art objects, paintings and buildings are carried at cost less accumulated depreciation and provision for impairment.

The Bank adopted a fair value accounting method for its buildings as of March 31, 2015 in tangible assets in accordance with “TAS – 16 Property, Plant and Equipment”.

The depreciation rate for buildings is 2-4%, for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with “TAS – 36 Impairment of Assets”, where the carrying amount of an asset is greater than its estimated “recoverable amount”, it is written down to its “recoverable amount” and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

The Bank performs leasing transactions in the capacity of the lessee and lessor.

Accounting of leasing operations according to lessee:

The Bank has adopted “IFRS 16: Leases” approach in the accounting of leasing transactions.

In accordance with IFRS 16, the Bank calculates “right-of-use” amount using the present value of the lease payments of fixed asset at the beginning of the leasing period and recognizes under “property and equipment”. Unpaid leasing payments are calculated at their net present value and recognized under “lease payables” in liabilities. Lease payments are discounted using related borrowing rates.

Fixed assets that are subject to leasing is amortised on the basis of leasing period. Interest expense related to lease payables is classified under “interest on lease payables” under “interest expense” and exchange rate changes are classified under “foreign exchange gains/losses”. Leasing payments are deducted from lease payables.

Accounting of the leasing transactions in terms of the lessor:

The major risks and benefits of the property carried by the lessor are classified as operational leasing. The payments that are received as operational leasing are accounted as income via the linear method throughout the leasing term

15. Explanations on provisions, contingent liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognized for loans and other receivables, are accounted in accordance with “TAS – 37 Provisions, Contingent Liabilities and Contingent Assets”.

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognized in the period of occurrence in accordance with the “Matching principle”. A provision is recognized when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

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Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

Obligations related to employee termination and vacation rights are accounted for in accordance with “TAS – 19 Employee Rights” and are classified under “Reserve for employee rights” account in the balance sheet.

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised “TAS – 19 Employee Rights” standard.

16.2. Pension rights

The Bank’s personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı (“the Fund”) which was established in accordance with the 20th temporary article of the Social Security Law No.506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the “Regulation Regarding the Actuaries” by a registered independent actuary.

Temporary article 23 paragraph 1 of the Banking Act published in the Official Gazette No. 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution (“SSI”) within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26731. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey (“GNAT”) started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the “Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations” No 5754 (“the New Law”) regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks’ pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the “Amendment of Social Insurance and General Health Insurance Law No. 6283” published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335. The president was authorized to determine the transfer date of pension funds in accordance with the last amendment by the Law No. 30473 published in the Official Gazette dated July 9, 2018.

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A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

16.3. Short term benefits of employee:

Within the scope of "TAS – 19 Employee Rights", the Bank measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In accordance with the 11 and 14th articles of the Law numbered 7316 on "Amendment of Law on Collection Procedure of Public Receivables and Certain Laws" published in the Official Gazette dated April 22, 2021 and numbered 31462, starting from the declarations that must be submitted starting from July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, corporate tax rate will be applied as 25% for enterprises' corporate income belonging to the taxation periods of 2021 and 23% for enterprises' corporate income belonging to the taxation periods of 2022. The corporate tax rate is still applied as 20% in the first provisional tax declaration for the corporate income belonging to the taxation periods of 2021 but as of second provisional tax declaration the rate of 25% will be applied.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the capital gains derived from immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

Tax returns are required to be filled and delivered to the related tax office until the last evening of the fourth month following the balance sheet date and the accrued tax is paid same day. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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17.2. Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “TAS – 12 Income Taxes” and in accordance with BRSA’s explanations and circulars and the tax legislation. The Bank calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate is used as of the balance sheet date by estimating when the temporary differences will be taxable / deductible in accordance with the current tax legislation.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilized.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing (previously included as “Disguised profit” in the Corporate Tax Law No.5422). “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

“Arm’s length principle”, which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

18. Explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortized cost” including costs of transactions using the “effective interest method”.

Bank, classified its part of the financial debts as fair value through profit / loss on financial liabilities. Difference between fair value of the debt and amortized cost of the debt together with the interest expense paid on financial instrument is presented as trading gain and losses in the accompanying financial statements.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Bank.

Also, the Bank obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders’ equity as “Share premium”.

20. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the “Off-balance sheet commitments”.

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21. Explanations on government grants:

None (December 31, 2020 - TL 78).

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

No dividend payments were announced after the balance sheet date.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

	Current Period	Prior Period
Net Income/(loss) to be appropriated to ordinary shareholders	3.685.364	2.460.774
Weighted average number of issued ordinary shares(thousand)	844.705.128	844.705.128
Earnings per share (full TL)	0,0044	0,0029

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2021 (2020 – None).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with “TAS – 24 Related Parties”. The transactions with related parties are disclosed in detail in Note 5 of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined in line with “TFRS – 8 Operating Segments” together with organizational and internal reporting structure of the Bank, are disclosed in Note 8 of Section Four.

26. Explanations on other matters:

None.

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Section four - Information related to financial position of the Bank**1. Explanations on equity:**

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, “Regulation Credit Risk Mitigation Techniques”, “Regulation on calculation of Risk-Weighted Amounts of Securitizations” and “Regulation Regarding Banks’ Shareholders’ Equity”. The capital adequacy ratio of the Bank is 18,09% (December 31, 2020 - 18,23%).

1.1. Information on equity:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	8.447.051	8.447.051
Share issue premiums	556.937	556.937
Retained earnings	34.213.005	29.633.487
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	8.442.986	7.377.558
Profit	3.685.364	5.079.518
Net profit of the period	3.685.364	5.079.518
Profit of the previous years	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	25.382	25.382
Common Equity Tier 1 capital before regulatory adjustments	55.370.725	51.119.933
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	69.514	86.115
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognise in equity in accordance with TAS	2.958.865	2.432.808
Improvement costs for operating leasing	97.735	108.425
Goodwill (net of related tax liability)	979.493	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	861.160	844.061
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	447.573	-
Shortfall of provisions to expected losses	-	-
Securitization gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks’ Shareholders’ Equity	-	-
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	-	-
The amount above threshold for mortgage servicing rights	-	-
The amount above threshold for deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	5.414.340	4.450.902
Common Equity Tier 1 capital (CET1)	49.956.385	46.669.031

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	Current Period	Prior Period
ADDITIONAL TIER 1 CAPITAL		
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	5.658.380	4.771.325
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Additional Tier 1 capital before regulatory adjustments	5.658.380	4.771.325
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Total Additional Tier 1 capital	5.658.380	4.771.325
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	55.614.765	51.440.356
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	7.111.270	6.980.701
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	161.014	322.028
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.266.535	4.034.262
Tier 2 capital before regulatory adjustments	9.538.819	11.336.991
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	141.561
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Total regulatory adjustments to Tier 2 capital	-	141.561
Total Tier 2 capital	9.538.819	11.195.430
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	65.105.301	62.593.587
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	6.293	5.591
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition ⁽¹⁾	-	-
National specific regulatory adjustments which shall be determined by the BRSA	41.990	36.608
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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OWN FUNDS	Current Period	Prior Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	64.972.940	62.438.104
Total Risk Weighted Assets ⁽²⁾	359.209.766	342.492.423
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	13,91	13,63
Tier 1 Capital Adequacy Ratio (%)	15,48	15,02
Capital Adequacy Ratio (%)	18,09	18,23
BUFFERS		
Institution specific buffer requirement of the Bank(a+b+c)	2,527	2,530
a) Capital conservation buffer requirement (%)	2,500	2,500
b) Bank's specific countercyclical buffer requirement (%)	0,027	0,030
c) Systemically important Bank buffer (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	9,405	9,019
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	222.347	192.605
Significant investments in the common stock of financials	1.370.082	1.203.097
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	3.865.363	4.296.299
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before ten thousand twenty five limitation)	1.450.190	11.568.720
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	537.501	4.034.262
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	9.428.013	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	1.729.034	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	161.014	322.028
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	7.724.104	6.326.953

- (1) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.
- (2) Total Risk Weighted Assets are calculated with arithmetic average of the Central Bank of Turkey's spot purchase exchange rates for 252 working days before calculation date, according to BRSA note no.9312 dated December 8, 2020.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

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1.2. Details on Subordinated Liabilities:

	1	2	3	4	5	6	7
Lender (1,2), Issuer (3,4,5)	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS2286436451 / US984848AN12	XSI867595750 / US984848AL55	TRSYKKB62914	TRSYKKB92911
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law / Turkish Law	English Law / Turkish Law	BRSA / CMB / Turkish Law	BRSA / CMB / Turkish Law
Regulatory treatment							
Transitional Basel III rules	No	No	Yes	No	No	No	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond	Bond	Bond	Bond
Amount recognised in regulatory capital (Currency in ml, as of most recent reporting date)	1,019	940	161	4,353	5,658	500	300
Par value of instrument	5,093	2,350	7,885	4,353	5,658	500	300
Accounting classification	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	January 22, 2021	January 15, 2019	July 3, 2019	October 3, 2019
Perpetual or dated	Dated	Dated	Dated	Dated	Perpetual	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	-	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	No	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	5 years	Every 5 years	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-	-	After 5th year	After 5th year
Coupons / dividends							
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Variable Interest	Variable Interest
Coupon rate and any related index	5,7%	First 5 years 6,55% fixed, second 5 years 7,7156% fixed	5,5%	First 5 years 7,875% fixed, second 5 years U.S. five year treasury bond rate +741.50 basis points	First 5 years 13,875% fixed, second 5 years MS+11,245% fixed	3 month TRYLIBOR +1,00 %	TLREF index change + 1,30%
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory	Optional	Mandatory	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-co							
If convertible, conversion trigger (s)	-	-	-	-	-	-	-
If convertible, fully or partially	-	-	-	-	-	-	-
If convertible, conversion rate	-	-	-	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-	-	-	-
Write-down feature							
If write-down, write-down trigger(s)	-	-	-	In case of default	In case of default/ Common Equity Tier 1 capital adequacy ratio of the bank falls below 5.125%	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF
If write-down, full or partial	-	-	-	Partial and complete	Partial and complete	Partial and complete	Partial and complete
If write-down, permanent or temporary	-	-	-	Permanent	Temporary	Permanent	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-	In case of cancellation of default/ Common Equity Tier 1 capital adequacy ratio of the bank is higher than 5.125%	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, and the TIER 1	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	No	No	No	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	8-2-2	-	-	-	-

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- 1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses and gains that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the "Regulation Regarding Banks' Shareholders' Equity" are considered in the own funds. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".

2. Explanations on Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2016.

2.1. General Information on Risk Management and Risk Weighted Amount

As of June 30, 2021, the Bank has started to calculate its credit risk, which is subject to the regulatory capital adequacy ratio reporting, with the Internal Rating-Based (IRB) approach. Foundation IRB approach is used for the corporate exposure class and advanced IRB approach is used for the retail exposure class as determined by "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

		Risk Weighted Assets		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)⁽¹⁾	310.274.262	300.975.207	24.821.941
2	Of which standardised approach (SA)	32.126.748	300.975.207	2.570.140
3	Of which internal rating-based (IRB) approach	270.384.696	-	21.630.776
4	Counterparty credit risk	6.963.323	6.612.419	557.066
5	Of which standardised approach for counterparty credit risk (SA-CCR)	6.963.323	6.612.419	557.066
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	11.110	10	889
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	4.297.525	4.259.080	343.802
17	Of which standardised approach (SA)	4.297.525	4.259.080	343.802
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	34.598.266	27.931.004	2.767.861
20	Of which Basic Indicator Approach	34.598.266	27.931.004	2.767.861
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	3.065.280	2.714.703	245.222
24	Floor adjustment	-	-	-
	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	359.209.766	342.492.423	28.736.781

(1) In the context of transition to IRB regulation, there is a value adjustment amounting to TL 7.762.818.

2.1.1. Credit quality of Assets

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- For which recovery of principal and interest or both delays for more than ninety days from their terms or due dates (According to BRSA decision dated March 17, 2020, it will be applied as 180 days until September 30, 2021) or;
- Which have limited means for total recovery because debtors' equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;

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- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- For which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation (According to BRSA decision dated March 17, 2020, it will be applied as 180 days until September 30, 2021),

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by Bank.

Current Period	Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	16.955.008	307.761.976	24.253.726	300.463.258
2 Debt Securities	-	89.835.715	197.426	89.638.289
3 Off-balance sheet exposures	956.513	245.090.526	1.378.165	244.668.874
Total	17.911.521	642.688.217	25.829.317	634.770.421

Prior Period	Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	18.797.134	275.129.711	23.798.323	270.128.522
2 Debt Securities	-	76.419.135	176.521	76.242.614
3 Off-balance sheet exposures	987.003	192.667.782	1.061.681	192.593.104
Total	19.784.137	544.216.628	25.036.525	538.964.240

2.1.3. Changes in stock of defaulted loans and debt securities

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	19.784.137	19.450.300
2 Loans and debt securities that have defaulted since the last reporting period	1.077.650	3.480.304
3 Returned to non-defaulted status	99.467	84.217
4 Amounts written off	1.033.391	951.610
5 Other changes	(1.817.408)	(2.110.640)
Defaulted loans and debt securities at end of the reporting period (1+2-3+4+5)	17.911.521	19.784.137

2.1.4. Credit risk mitigation techniques – overview

Current Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	251.297.065	49.166.193	33.097.949	5.139.064	4.137.133	-	-
2 Debt securities	89.638.289	-	-	-	-	-	-
3 TOTAL	340.935.354	49.166.193	33.097.949	5.139.064	4.137.133	-	-
4 Of which defaulted	3.798.467	1.068.262	403.917	890.601	390.175	-	-

Prior Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	200.792.017	69.336.505	34.556.134	10.789.657	8.680.038	-	-
2 Debt securities	76.242.614	-	-	-	-	-	-
3 TOTAL	277.034.631	69.336.505	34.556.134	10.789.657	8.680.038	-	-
4 Of which defaulted	2.107.913	3.637.272	932.394	926.661	448.463	-	-

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.5. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	140.957.328	1.378.226	145.484.636	1.601.066	-	0,00%
2	Exposures to regional governments or local authorities	559	-	559	-	112	20,04%
3	Administrative and non commercial receivables	18.531	158.289	18.504	65.059	83.563	100,00%
4	Exposures to multilateral development banks	525.237	39.944	525.236	21.416	-	0,00%
5	Exposures to banks and financial institutions	32.848.705	19.332.495	32.847.950	3.486.820	11.014.205	30,31%
6	Exposures to corporates	10.232.428	19.547.536	8.695.550	3.184.777	9.157.045	77,08%
7	Retail exposures	3.685.659	2.090.782	1.110.737	57.163	875.925	75,00%
8	Exposures secured by residential property	22.484	3.269	22.484	1.608	8.432	35,00%
9	Exposures secured by commercial real estate	1.012.953	403.393	977.151	201.695	974.827	82,69%
10	Non performing receivables	122.577	212	1.033	42	647	60,19%
11	Higher-risk categories by the Agency Board	320.324	1.891.133	51.108	22.079	101.520	138,71%
12	Exposures in the form of units or shares in collective investment undertakings (CIUs)	14.386	-	14.386	-	11.110	77,23%
13	Investments in equities	11.136.584	-	11.136.584	-	12.975.752	116,51%
14	Other assets	-	-	-	-	-	0,00%
TOTAL		200.897.755	44.845.279	200.885.918	8.641.725	35.203.138	16,80%

Prior Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	121.812.789	122	130.941.289	266.707	-	0,00%
2	Exposures to regional governments or local authorities	646	-	646	-	129	19,97%
3	Administrative and non commercial receivables	50.895	113.066	50.871	39.536	90.407	100,00%
4	Exposures to multilateral development banks	761.192	25.402	761.192	12.853	-	0,00%
5	Exposures to banks and financial institutions	30.381.045	16.670.071	30.381.045	2.768.071	9.774.859	29,49%
6	Exposures to corporates	128.732.547	110.001.140	121.715.162	48.972.303	167.652.777	98,22%
7	Retail exposures	92.956.695	71.700.146	87.641.622	6.493.665	70.601.465	75,00%
8	Exposures secured by residential property	9.126.349	171.023	9.126.349	86.775	3.224.593	35,00%
9	Exposures secured by commercial real estate	30.536.355	4.023.560	30.342.654	2.869.207	25.801.500	77,69%
10	Non performing receivables	4.123.784	29.190	3.938.462	11.440	2.573.567	65,16%
11	Higher-risk categories by the Agency Board	1.619.634	2.358.730	1.351.273	524.698	2.291.085	122,13%
12	Exposures in the form of units or shares in collective investment undertakings (CIUs)	20	-	20	-	10	50,00%
13	Investments in equities	9.863.296	-	9.863.296	-	11.492.118	116,51%
14	Other assets	16.321.207	-	16.321.207	-	10.187.410	62,42%
TOTAL		446.286.454	205.092.450	442.435.088	62.045.255	303.689.920	60,20%

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.6. Standardised approach – exposures by asset classes and risk weights

Current Period												
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
1 Exposures to central governments or central banks	147.085.702	-	-	-	-	-	-	-	-	-	-	147.085.702
2 Exposures to regional governments or local authorities	-	-	559	-	-	-	-	-	-	-	-	559
3 Exposures to public sector entities	-	-	-	-	-	-	83.563	-	-	-	-	83.563
4 Exposures to multilateral development banks	546.652	-	-	-	-	-	-	-	-	-	-	546.652
5 Exposures to institutions	-	-	24.196.862	-	11.926.150	-	211.758	-	-	-	-	36.334.770
6 Exposures to corporates	330.801	-	309.870	-	4.289.168	-	6.950.488	-	-	-	-	11.880.327
7 Retail exposures	-	-	-	-	-	1.167.900	-	-	-	-	-	1.167.900
8 Exposures secured by residential property	-	-	-	24.092	-	-	-	-	-	-	-	24.092
9 Exposures secured by commercial real estate	-	-	-	-	406.241	3.595	769.010	-	-	-	-	1.178.846
10 Past-due loans	-	-	-	-	858	-	217	-	-	-	-	1.075
11 Higher-risk categories by the Agency Board	-	-	-	-	1.682	-	13.157	58.348	-	-	-	73.187
12 Investments made in collective investment companies	175	-	1.804	-	3.315	-	9.092	-	-	-	-	14.386
13 Investments in equities	-	-	-	-	-	-	9.910.472	-	-	1.226.112	-	11.136.584
14 Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	147.963.330	-	24.509.095	24.092	16.627.414	1.171.495	17.947.757	58.348	-	1.226.112	-	209.527.643

Prior Period												
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
1 Exposures to central governments or central banks	131.207.996	-	-	-	-	-	-	-	-	-	-	131.207.996
2 Exposures to regional governments or local authorities	-	-	646	-	-	-	-	-	-	-	-	646
3 Exposures to public sector entities	-	-	-	-	-	-	90.407	-	-	-	-	90.407
4 Exposures to multilateral development banks	774.045	-	-	-	-	-	-	-	-	-	-	774.045
5 Exposures to institutions	-	-	23.019.877	-	9.916.711	-	212.528	-	-	-	-	33.149.116
6 Exposures to corporates	330.804	-	461.746	-	4.668.974	-	165.225.941	-	-	-	-	170.687.465
7 Retail exposures	-	-	-	-	-	94.135.287	-	-	-	-	-	94.135.287
8 Exposures secured by residential property	-	-	-	9.213.124	-	-	-	-	-	-	-	9.213.124
9 Exposures secured by commercial real estate	-	-	-	-	14.545.688	550.069	18.116.104	-	-	-	-	33.211.861
10 Past-due loans	-	-	-	-	2.752.671	-	1.197.231	-	-	-	-	3.949.902
11 Higher-risk categories by the Agency Board	-	-	-	-	133.944	-	777.856	964.171	-	-	-	1.875.971
12 Investments made in collective investment companies	3	-	3	-	10	-	4	-	-	-	-	20
13 Investments in equities	-	-	-	-	-	-	8.777.415	-	-	1.085.881	-	9.863.296
14 Other receivables	6.027.309	-	133.109	-	-	-	10.160.789	-	-	-	-	16.321.207
Total	138.340.157	-	23.615.381	9.213.124	32.017.998	94.685.356	204.558.275	964.171	-	1.085.881	-	504.480.343

(Yetkili İmza / Kaşe)

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

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2.1.7. IRB Approach: Credit Risk Amounts by Portfolio and PD Ranges

Foundation IRB	PD Range	On-balance sheet amount	Off-balance sheet amount	Average CCF	Exposures post-CCF and CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density	Expected Loss	Provisions
Exposures to corporates	0-0,15	9.152.462	8.223.577	43,89%	12.762.114	0,09%	32.643	42,14%	1.82	2.898.080	22,71%	4.902	12.626
	0,15-0,25	3.771.869	2.284.464	43,86%	4.773.738	0,19%	70.978	39,38%	2.24	1.721.595	36,06%	3.465	7.113
	0,25-0,5	17.588.115	18.436.451	41,77%	25.289.062	0,33%	23.926	43,14%	1.84	12.826.671	50,72%	36.171	413.305
	0,5-0,75	27.416.324	25.684.417	43,36%	38.552.579	0,62%	42.966	42,75%	1.63	25.387.025	65,85%	102.186	220.746
	0,75-2,5	34.736.130	28.925.880	39,01%	46.021.450	1,46%	44.477	42,25%	1.83	43.291.490	94,07%	283.085	755.742
	2,5-10	14.423.479	17.565.852	39,16%	21.302.062	5,43%	30.748	42,15%	1.82	30.198.915	141,77%	484.311	1.101.224
	10-100	1.597.310	1.172.805	28,32%	1.929.409	21,45%	7.130	40,87%	1.54	4.056.125	210,23%	164.927	165.318
	100 (default)	9.890.625	418.087	21,95%	9.982.413	100,00%	17.716	45,00%	2.50	-	-	4.492.086	6.499.597
	Sub Total		118.576.314	102.711.533	40,93%	160.612.827	7,82%	262.103	42,56%	1.83	120.379.901	74,95%	5.571.133
Advanced IRB	0-0,15	4.532.499	13.271.206	26,18%	8.007.322	0,10%	893.071	38,06%	-	188.624	2,36%	2.939	3.487
	0,15-0,25	4.504.273	12.096.542	26,71%	7.735.481	0,19%	1.183.266	36,54%	-	309.914	4,01%	5.443	9.597
	0,25-0,5	1.231.126	2.265.557	27,74%	1.859.592	0,33%	276.327	37,21%	-	117.247	6,30%	2.278	4.454
	0,5-0,75	3.331.290	5.644.690	27,76%	4.898.231	0,64%	771.910	36,64%	-	514.072	10,50%	11.456	18.239
	0,75-2,5	4.684.539	6.131.896	28,08%	6.406.412	1,49%	1.085.735	36,32%	-	1.261.991	19,70%	34.778	56.530
	2,5-10	4.960.615	2.798.938	30,24%	5.806.978	5,40%	1.152.122	34,81%	-	2.616.241	45,05%	107.821	172.086
	10-100	1.081.579	202.545	33,18%	1.148.789	28,60%	285.509	31,94%	-	1.128.655	98,25%	106.094	164.926
	100 (default)	10.018	17	25,35%	10.023	100,00%	2.825	38,96%	-	40.943	408,49%	815	4.661
	Sub Total		24.335.939	42.411.391	27,20%	35.872.828	2,25%	5.650.765	36,46%	-	6.177.687	17,22%	271.624
Retail SME Exposures	0-0,15	546.692	1.519.107	36,85%	1.106.421	0,11%	48.729	44,47%	-	135.884	12,28%	528	2.729
	0,15-0,25	3.877.937	5.989.719	52,02%	6.993.700	0,17%	113.656	46,76%	-	1.269.754	18,16%	5.651	27.293
	0,25-0,5	6.498.521	8.175.424	45,29%	10.201.137	0,36%	96.188	47,93%	-	3.037.118	29,77%	17.696	58.459
	0,5-0,75	5.201.890	5.068.232	39,56%	7.206.811	0,61%	94.514	46,13%	-	2.817.541	39,10%	20.211	53.235
	0,75-2,5	11.965.608	7.434.945	39,84%	14.927.824	1,48%	192.960	46,62%	-	8.490.656	56,88%	102.886	225.194
	2,5-10	8.059.288	3.267.333	35,99%	9.235.069	5,11%	152.085	46,72%	-	6.757.113	73,17%	219.939	346.845
	10-100	1.552.976	481.553	27,97%	1.687.664	22,53%	31.801	45,26%	-	1.739.645	103,08%	169.574	259.879
	100 (default)	3.793.225	480.872	21,34%	3.895.827	100,00%	74.106	81,61%	-	486.172	12,48%	3.142.873	3.817.599
	Sub Total		41.496.137	32.417.185	42,44%	55.254.453	9,16%	679.502	49,21%	-	24.733.883	44,76%	3.679.358
Other Retail Exposures	0-0,15	701.585	1.859.136	81,09%	2.209.174	0,10%	976.561	50,65%	-	286.653	12,98%	1.080	2.118
	0,15-0,25	3.241.779	1.995.080	81,63%	4.870.387	0,19%	1.123.696	53,40%	-	1.088.204	22,34%	5.009	7.849
	0,25-0,5	1.068.257	482.150	82,15%	1.464.328	0,33%	313.127	54,31%	-	474.534	32,41%	2.635	3.721
	0,5-0,75	6.332.901	1.489.466	82,55%	7.562.527	0,64%	804.660	58,09%	-	3.839.179	50,77%	28.332	30.162
	0,75-2,5	12.405.836	1.473.359	84,17%	13.646.017	1,54%	1.027.253	59,65%	-	10.062.826	73,74%	125.526	124.186
	2,5-10	17.181.710	978.169	89,82%	18.060.316	5,60%	1.235.837	60,09%	-	17.239.726	95,46%	607.793	621.881
	10-100	5.952.155	99.728	110,78%	6.062.630	27,82%	372.810	60,16%	-	9.466.198	156,14%	1.012.648	1.069.672
	100 (default)	2.416.842	294	83,29%	2.417.087	100,00%	159.661	81,45%	-	654.853	27,09%	1.919.212	2.001.758
	Sub Total		49.301.065	8.377.382	83,46%	56.292.466	9,57%	5.992.948	59,54%	-	43.112.173	76,59%	3.702.235
Retail Total		115.133.141	83.205.958	38,80%	147.419.747	7,64%	8.704.530	50,05%	-	74.023.743	50,21%	7.653.217	9.086.560
Other Items	Sub Total	19.686.788	-	-	19.686.788	-	-	-	-	10.989.836	39,09%	-	-

(Yetkili İmza / Kaşe)

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.8. IRB: The effect of credit derivatives used as CRM technique on RWA

	RWA – PRE Credit Derivatives	Actual RWA
1 Exposures to central governments or central banks -Foundation IRB	-	-
2 Exposures to central governments or central banks -Advanced IRB	-	-
3 Exposures to banks and financial institutions - Foundation IRB	-	-
4 Exposures to banks and financial institutions - Advanced IRB	-	-
5 Exposures to corporates -Foundation IRB	122.414.301	122.414.301
6 Exposures to corporates - Advanced IRB	-	-
7 Specialised Lending - Foundation IRB	65.294.041	65.294.041
8 Specialised Lending - Advanced IRB	-	-
9 Retail exposures - Qualifying revolving	6.177.687	6.177.687
10 Retail exposures - secured by real estate	-	-
11 Retail exposures - SME	24.737.351	24.737.351
12 Retail Exposures - Other	43.112.173	43.112.173
13 Investments in equities - Foundation IRB	-	-
14 Investments in equities - Advanced IRB	-	-
15 Purchased Receivables - Foundation IRB	-	-
16 Purchased Receivables - Advanced IRB	-	-
17 Other Items - Advanced IRB	10.989.836	10.989.836
Total	272.725.389	272.725.389

2.1.9. RWA Movement Table Under IRB Approach

	RWA Amount
1 Previous Period Closing Amount	-
2 Changes in Volume	-
3 Changes in Asset Quality	-
4 Model Updates	-
5 Policy and Regulatory Changes	-
6 Purchasing and Selling	-
7 FX Difference	-
8 Other ⁽¹⁾	272.725.389
9 Current Period Closing Amount	272.725.389

(1) The Bank has started to use IRB approach as of June 30, 2021.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.10. IRB (Specialized lending and equity investments subject to the simple risk weight approach)

Specialised Lendings													
Besides High-volatility Commercial Real Estates													
Category	Remaining Maturity	On-balance sheet amount	Off-balance sheet amount	Counterparty credit risk	Risk Weight	Project Finance	Object Finance	Risk Amount			RWA Amount		Expected Losses
								Commodities Finance	Income Producing Real Estate	Total	Credit Risk	Counter Party Credit Risk	
Strong	<2.5 years	192.379	-	69.352	50%	197.188	-	-	64.544	261.732	96.190	34.676	-
	≥2.5 years	7.525.905	3.051	349.264	70%	7.696.418	-	-	179.365	7.875.783	5.268.564	244.485	31.503
Good	<2.5 years	3.179.435	514.051	2.746	70%	3.285.897	-	-	-	3.285.897	2.298.205	1.922	13.144
	≥2.5 years	13.051.792	2.627.343	-	90%	14.636.297	89.468	-	536.085	15.261.850	13.735.665	-	122.095
Satisfactory	<2.5 years	24.143.278	2.295.402	18.914	115%	22.957.913	617.173	-	1.188.252	24.763.338	28.456.097	21.742	693.374
	≥2.5 years	5.998.625	277.422	-	250%	6.054.598	-	-	-	6.054.598	15.136.495	-	484.368
Weak		-	4.143	-	-	836	-	-	-	836	-	-	418
Default		-	-	-	-	-	-	-	-	-	-	-	-
Total		54.091.414	5.721.412	440.276	-	54.829.147	706.641	-	1.968.246	57.504.034	64.991.216	302.825	1.344.902

Yapı ve Kredi Bankası A.Ş.**Notes to unconsolidated financial statements as of June 30, 2021**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.11. Assessment of Counterparty Credit Risk according to the models of measurement

Current Period		Revaluation Cost	Potential credit risk exposure	EEPE ⁽¹⁾	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	4.897.804	1.617.865		1,4	5.834.455	3.234.688
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation						
4	Comprehensive Method for Credit Risk Mitigation					2.718.040	967.020
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
Total							4.201.708

Prior Period		Revaluation Cost	Potential credit risk exposure	EEPE ⁽¹⁾	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	2.732.040	1.477.420		1,4	4.187.387	3.318.819
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation						
4	Comprehensive Method for Credit Risk Mitigation					2.437.769	950.344
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
Total							4.269.163

(1) Effective expected positive exposure

2.1.12. Credit valuation adjustment (CVA) capital charge

	Current Period		Prior Period	
	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach				
CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (including 3*multiplier)	-	-	-	-
2 (ii) Stressed Value at Risk (including 3*multiplier)	-	-	-	-
3 All portfolios subject to Standardised CVA capital obligation	5.834.455	2.754.625	4.187.387	2.338.447
Total amount of CVA capital adequacy	5.834.455	2.754.625	4.187.387	2.338.447

2.1.13. Standardised approach – CCR exposures by risk weights and risk classes

Risk Weights/Risk Classes	Current Period											Total credit risk ⁽¹⁾
	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	Other	
1 Central governments and central banks receivables	2.040.638	-	-	-	-	-	-	-	-	-	-	2.040.638
2 Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-	-	-
3 Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-	-	-
5 Banks and Intermediary Institutions receivables	-	139.180	105.155	-	410.162	-	2.841.387	-	-	-	-	3.495.884
6 Corporate receivables	-	-	-	-	300	-	69.743	-	319.063	-	-	389.106
7 Retail receivables	-	-	-	-	-	-	-	5.727	-	-	-	5.727
8 Mortgage receivables	-	-	-	-	-	-	-	-	-	-	-	-
9 Non performing receivables High risk defined	-	-	-	-	-	-	-	-	-	-	-	-
10 receivables	-	-	-	-	-	-	-	-	-	-	-	-
11 Equity investments	-	-	-	-	-	-	-	-	-	-	-	-
12 Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	2.040.638	139.180	105.155	-	410.462	-	2.911.130	5.727	319.063	-	-	5.931.355

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Risk Weights/Risk Classes	Prior Period											Total credit risk ⁽¹⁾	
	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	Other		
Central governments and													
1 central banks receivables	781.548	-	-	-	-	-	-	-	-	-	-	-	781.548
Local governments and													
2 municipalities receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative and non													
3 commercial receivables	-	-	-	-	-	-	-	-	1	-	-	-	1
Multilateral Development													
4 Bank receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks and Intermediary													
5 Institutions receivables	-	50.016	95.220	-	295.258	-	2.412.116	-	-	-	-	-	2.852.610
6 Corporate receivables	-	-	-	-	96	-	51.288	-	2.826.358	-	-	-	2.877.742
7 Retail receivables	-	-	-	-	-	-	-	8.591	-	-	-	-	8.591
8 Mortgage receivables	-	-	-	-	-	-	208.625	-	41.275	-	-	-	249.900
9 Non performing receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
10 High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	781.548	50.016	95.220	-	295.354	-	2.672.029	8.591	2.867.634	-	-	-	6.770.392

(1) Represents the risk amount after credit risk mitigation.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.14. Counterparty Credit Risk Amounts by Portfolio and PD Ranges

Foundation IRB	PD Range	Exposures post CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density
Exposures to corporates	0-0,15	250.427	0,12%	22	45,00%	2.50	85.841	34,00%
	0,15-0,25	18.559	0,17%	1	45,00%	1.00	5.344	29,00%
	0,25-0,5	273.174	0,33%	36	41,00%	1.88	131.880	48,00%
	0,5-0,75	1.023.287	0,64%	52	43,00%	2.90	846.469	83,00%
	0,75-2,5	523.271	1,40%	38	41,00%	2.39	495.311	95,00%
	2,5-10	328.763	4,30%	16	42,00%	3.14	469.555	143,00%
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
Sub Total		2.417.481	1,20%	165	42,00%	2.66	2.034.400	84,00%
Advanced IRB	PD Range	Exposures post CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density
Qualifying Revolving Retail Exposures	0-0,15	-	-	-	-	-	-	-
	0,15-0,25	-	-	-	-	-	-	-
	0,25-0,5	-	-	-	-	-	-	-
	0,5-0,75	-	-	-	-	-	-	-
	0,75-2,5	-	-	-	-	-	-	-
	2,5-10	-	-	-	-	-	-	-
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-
Retail SME Exposures	0-0,15	892	0,12%	7	52,00%	0.00	138	15,00%
	0,15-0,25	1.314	0,17%	11	37,00%	0.00	186	14,00%
	0,25-0,5	1.015	0,35%	15	51,00%	0.00	320	32,00%
	0,5-0,75	1.469	0,56%	9	60,00%	0.00	720	49,00%
	0,75-2,5	2.809	1,60%	7	50,00%	0.00	1.911	64,00%
	2,5-10	213	9,00%	1	50,00%	0.00	185	87,00%
	10-100	7	19,00%	1	50,00%	0.00	8	117,00%
	100 (default)	-	-	-	-	-	-	-
Sub Total		7.719	1,10%	51	50,00%	0.00	3.468	45,00%
Other Retail Exposures	0-0,15	-	-	-	-	-	-	-
	0,15-0,25	-	-	-	-	-	-	-
	0,25-0,5	-	-	-	-	-	-	-
	0,5-0,75	-	-	-	-	-	-	-
	0,75-2,5	-	-	-	-	-	-	-
	2,5-10	-	-	-	-	-	-	-
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-
Total (All portfolios)		7.719	1,10%	51	50,00%	-	3.468	45,00%

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.15. Composition of collateral for CCR exposure

	Current Period	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
		Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-domestic currency	-	806	-	-	34.155.289	-
2	Cash-foreign currency	-	16.716	-	-	2.582.367	-
3	Domestic sovereign debts	-	286	-	-	-	34.312.368
4	Other sovereign debt	-	-	-	-	-	3.915.791
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	663.406	-	-	-	-
	Total	-	681.214	-	-	36.737.656	38.228.159

	Prior Period	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
		Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Taken
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-domestic currency	-	3.011	-	-	24.983.551	1.700.842
2	Cash-foreign currency	-	16.519	-	-	2.296.737	-
3	Domestic sovereign debts	-	-	-	-	1.730.242	25.097.712
4	Other sovereign debt	-	2.543	-	-	-	3.637.513
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-
	Total	-	22.073	-	-	29.010.530	30.436.067

2.1.16. Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Nominal				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	14.527.310	-	12.525.055
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	-	14.527.310	-	12.525.055
Rediscount Amount	-	(687.650)	-	(361.910)
Positive Rediscount Amount	-	38.992	-	42.819
Negative Rediscount Amount	-	(726.642)	-	(404.729)

2.1.17. Market risk under standardised approach

		Current Period	Prior Period
		Risk Weighted Asset	Risk Weighted Asset
Outright products		4.281.187	4.238.630
1	Interest rate risk (general and specific)	1.637.244	2.377.388
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	2.639.556	1.861.229
4	Commodity risk	4.387	13
Options		16.338	20.450
5	Simplified approach	-	-
6	Delta-plus method	16.338	20.450
7	Scenario approach	-	-
8	Securitisation	-	-
Total		4.297.525	4.259.080

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.18. Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) (total)		6.990		4.809
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
3 (i) OTC Derivatives	244.335	6.990	141.686	4.738
4 (ii) Exchange-traded Derivatives	-	-	-	-
5 (iii) Securities financing transactions	-	-	3.550	71
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)	-	-	-	-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-	-	-
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

3. Explanations on currency risk

The difference between the Bank's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Bank keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 8.

The Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five work days prior to that date are as follows:

(Exchange rates presented as full TL)	USD	EUR
Balance sheet evaluation rate:	8,7052	10,3645
First day current bid rate	8,7219	10,4077
Second day current bid rate	8,6772	10,3646
Third day current bid rate	8,6593	10,3356
Fourth day current bid rate	8,6139	10,2828
Fifth day current bid rate	8,7202	10,3722
Arithmetic average of the last 31 days:	8,5961	10,3630
Balance sheet evaluation rate as of prior period:	7,3405	9,0079

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Information related to financial position of the Bank

Current Period	EUR	USD	OTHER FC⁽⁴⁾	Total
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	21.896.902	28.000.674	6.728.258	56.625.834
Banks	836.373	12.740.320	116.738	13.693.431
Financial assets where fair value change is reflected to income statement	29.860	677.224	-	707.084
Money markets	-	-	-	-
Financial assets where fair value change is reflected to other comprehensive income statement	1.074.527	1.852.161	1.936	2.928.624
Loans ⁽¹⁾	54.144.813	54.509.219	2.522.182	111.176.214
Investments in associates, subsidiaries and joint ventures	4.988.754	482.438	1.370.082	6.841.274
Financial Assets Measured at Amortised Cost	249.429	23.994.648	-	24.244.077
Hedging derivative financial assets	-	1.186	-	1.186
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets ⁽²⁾	4.874.093	8.171.453	1.791.740	14.837.286
Total assets	88.094.751	130.429.323	12.530.936	231.055.010
Liabilities				
Bank deposits	1.195.755	117.272	12.467	1.325.494
Foreign currency deposits	55.400.883	86.867.635	18.000.707	160.269.225
Funds from money market	2.913.261	-	-	2.913.261
Funds borrowed from other financial institutions	15.588.857	28.158.569	-	43.747.426
Marketable securities issued	104.330	18.018.892	-	18.123.222
Miscellaneous payables	958.988	308.658	17.836	1.285.482
Hedging derivative financial liabilities	110.554	737.092	-	847.646
Other liabilities ⁽³⁾	1.314.785	42.073.866	24.869	43.413.520
Total liabilities	77.587.413	176.281.984	18.055.879	271.925.276
Net on-balance sheet position	10.507.338	(45.852.661)	(5.524.943)	(40.870.266)
Net off-balance sheet position ⁽⁵⁾	(9.282.275)	45.043.806	6.899.057	42.660.588
Financial derivative assets	10.415.521	72.470.862	9.324.986	92.211.369
Financial derivative liabilities	19.697.796	27.427.056	2.425.929	49.550.781
Net Position	1.225.063	(808.855)	1.374.114	1.790.322
Non-cash loans	44.695.986	37.265.319	4.716.266	86.677.571
Prior Period				
Total assets	78.297.996	113.126.760	10.179.401	201.604.157
Total liabilities	68.651.880	154.361.084	17.018.401	240.031.365
Net on-balance sheet position	9.646.116	(41.234.324)	(6.839.000)	(38.427.208)
Net off-balance sheet position	(9.001.949)	40.541.716	8.019.988	39.559.755
Financial derivative assets	9.497.755	59.030.334	8.888.736	77.416.825
Financial derivative liabilities	18.499.704	18.488.618	868.748	37.857.070
Net Position	644.167	(692.608)	1.180.988	1.132.547
Non-cash loans	36.499.058	27.553.236	4.612.240	68.664.534

(1) Includes FX indexed loans amounting to TL 302.537 (December 31, 2020 - TL 376.236) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 282.221 (December 31, 2020 - TL 236.064).

(3) Does not include foreign currency other comprehensive income and expense under equity.

(4) Other FC column includes also gold balance.

(5) Forward transactions classified as commitments are also included.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4. Explanations on interest rate risk

The monitoring of interest rate sensitive assets and liabilities, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Bank utilizes TL/foreign currency and TL/TL interest rate and money swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the balance sheet.

4.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	35.570.768	-	-	-	-	31.368.407	66.939.175
Banks	174.112	480.198	-	-	-	13.039.976	13.694.286
Financial assets where fair value change is reflected to income statement	1.301	370.955	5.193	77.330	123.741	434.151	1.012.671
Money markets	-	-	-	-	-	-	-
Financial assets where fair value change is reflected to other comprehensive income statement	3.575.541	6.708.867	8.406.492	5.790.657	967.436	21.202	25.470.195
Loans ⁽¹⁾	44.209.539	37.315.559	112.684.395	96.648.270	16.904.213	(7.298.719)	300.463.257
Financial assets measured at amortised cost	18.159.786	8.776.373	9.555.921	5.896.870	21.160.449	-	63.549.399
Other assets	1.214.982	2.445.474	1.631.189	2.455.824	144.998	41.981.925	49.874.392
Total assets	102.906.029	56.097.426	132.283.190	110.868.951	39.300.837	79.546.942	521.003.375
Liabilities							
Bank deposits	2.774.764	-	-	-	-	1.475.435	4.250.199
Other deposits	137.069.727	31.370.643	5.246.738	57.712	-	105.291.044	279.035.864
Funds from money market	35.048.968	1.133.908	996.359	-	-	-	37.179.235
Miscellaneous payables	-	-	-	-	-	17.554.439	17.554.439
Marketable securities issued	4.081.253	10.016.338	10.203.337	-	-	-	24.300.928
Funds borrowed from other financial institutions	3.881.805	31.931.111	7.873.410	1.112.397	366.564	-	45.165.287
Other liabilities ⁽²⁾	12.004.206	21.997.898	10.540.604	3.624.210	2.036.324	63.314.181	113.517.423
Total liabilities	194.860.723	96.449.898	34.860.448	4.794.319	2.402.888	187.635.099	521.003.375
Balance sheet long position	-	-	97.422.742	106.074.632	36.897.949	-	240.395.323
Balance sheet short position	(91.954.694)	(40.352.472)	-	-	-	(108.088.157)	(240.395.323)
Off-balance sheet long position	13.106.631	31.357.859	448.500	-	-	-	44.912.990
Off-balance sheet short position	-	-	-	(40.614.776)	(3.781.913)	-	(44.396.689)
Total position	(78.848.063)	(8.994.613)	97.871.242	65.459.856	33.116.036	(108.088.157)	516.301
Prior Period							
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	28.795.875	-	-	-	-	26.231.597	55.027.472
Banks	3.276.618	435.863	-	-	-	7.351.646	11.064.127
Financial assets where fair value change is reflected to income statement	83	1.135	737	60.955	544.890	390.750	998.550
Money markets	1.700.842	-	-	-	-	-	1.700.842
Financial assets where fair value change is reflected to other comprehensive income statement	2.780.391	6.355.517	8.542.316	5.157.989	2.006.501	21.453	24.864.167
Loans ⁽¹⁾	36.933.103	38.255.700	97.948.656	86.895.353	15.096.899	(5.001.190)	270.128.521
Financial assets measured at amortised cost	12.339.697	7.807.161	7.957.380	5.217.100	17.420.574	-	50.741.912
Other assets	949.334	1.380.957	1.446.038	1.704.658	133.533	39.553.947	45.168.467
Total assets	86.775.943	54.236.333	115.895.127	99.036.055	35.202.397	68.548.203	459.694.058
Liabilities							
Bank deposits	4.448.966	14.026	-	-	-	1.209.431	5.672.423
Other deposits	119.826.311	33.053.089	6.376.543	19.772	-	89.332.018	248.607.733
Funds from money market	25.127.788	20	1.638.612	938.918	-	-	27.705.338
Miscellaneous payables	-	-	-	-	-	14.515.070	14.515.070
Marketable securities issued	2.770.874	9.747.418	7.996.969	-	2.161	-	20.517.422
Funds borrowed from other financial institutions	2.382.139	27.340.773	7.750.267	583.158	224.102	-	38.280.439
Other liabilities ⁽²⁾	2.785.990	18.387.133	1.562.366	22.436.631	2.031.182	57.192.331	104.395.633
Total liabilities	157.342.068	88.542.459	25.324.757	23.978.479	2.257.445	162.248.850	459.694.058
Balance sheet long position	-	-	90.570.370	75.057.576	32.944.952	-	198.572.898
Balance sheet short position	(70.566.125)	(34.306.126)	-	-	-	(93.700.647)	(198.572.898)
Off-balance sheet long position	16.294.957	34.736.202	-	-	-	-	51.031.159
Off-balance sheet short position	-	-	(8.853.429)	(41.098.309)	(2,881.999)	-	(52.833.737)
Total position	(54.271.168)	430.076	81.716.941	33.959.267	30.062.953	(93.700.647)	(1.802.578)

(1) Non-performing loans are shown in net Non-Interest Bearing loss column after being offset by expected loss provisions.

(2) Shareholders' equity is presented under "Non interest bearing".

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4.2. Average interest rates for monetary financial instruments :

The following average interest rates are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	13,50
Banks	-	0,05	-	-
Financial assets at fair value through profit or loss	3,79	3,55	-	16,52
Receivables from money markets	-	-	-	-
Financial assets at fair value through other comprehensive income	3,25	5,62	-	17,99
Loans	4,58	6,15	-	17,49
Financial assets measured at amortised cost	4,89	6,44	-	18,18
Liabilities				
Bank deposits ⁽¹⁾	-	0,01	-	15,72
Other deposits ⁽¹⁾	0,23	0,66	-	11,18
Funds from money market	1,42	-	-	16,16
Miscellaneous payables	-	-	-	-
Marketable securities issued	5,00	6,46	-	18,16
Funds borrowed from other financial institutions	1,94	2,39	-	16,23
Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	12,29
Banks	-	-	-	17,78
Financial assets at fair value through profit/loss	3,54	6,17	-	15,59
Money market placements	-	-	-	15,37
Available-for-sale financial assets	3,26	5,64	-	15,77
Loans	4,50	6,18	-	14,88
Held-to-maturity investments	4,89	6,47	-	15,93
Liabilities				
Bank deposits	-	0,02	-	15,90
Other deposits	0,50	1,01	0,01	7,53
Funds from money market	1,49	-	-	14,48
Miscellaneous payables	-	-	-	-
Marketable securities issued	5,00	6,31	-	13,54
Funds borrowed from other financial institutions	1,89	2,47	-	10,68

(1) Demand deposit balances are included in average interest rate calculation.

5. Explanation on share certificates position risk from banking book:

None.

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6. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored in the Bank under Treasury Management and Risk Management. The liquidity policy of the Bank is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Treasury management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency funding plan of the Bank. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Bank does not function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

"Liquidity Contingency Plan" is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Bank mainly consist of deposits which constitute 54% (December 31, 2020 - 55%) of total liabilities of the Bank and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Bank calculates and reports the Liquidity Coverage Ratio (LCR) in full compliance with the regulations. LCR is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Bank. In addition to the Bank LCR, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium / long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey ("CBRT") accounts and reserves and unencumbered debt instruments issued by Treasury of the Republic of Turkey treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest outflow amount according to the negative values of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

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Secured funding consists of repo and other secured borrowings. A large part of securities which are subjects of the aforementioned funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out in both CBRT market and interbank market.

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below.

Average amounts of weekly liquidity coverage ratio calculations related to the last three months of current period are explained in the table below.

	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
Current Period				
High Quality Liquid Assets				
High Quality Liquid Assets			91.703.490	62.930.956
Cash Outflows				
Retail and Small Business Customers Deposits	177.364.675	99.825.157	16.161.971	9.982.473
Stable deposits	31.489.934	849	1.574.497	42
Less stable deposits	145.874.741	99.824.308	14.587.474	9.982.431
Unsecured Funding other than Retail and Small Business				
Customers Deposits	105.256.539	57.512.314	55.979.813	27.850.733
Operational deposits	-	-	-	-
Non-Operational deposits	84.806.778	52.155.286	39.193.586	22.493.705
Other Unsecured funding	20.449.761	5.357.028	16.786.227	5.357.028
Secured funding	-	-	29.597	29.597
Other Cash Outflows	2.020.167	2.020.167	2.020.167	2.020.167
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.020.167	2.020.167	2.020.167	2.020.167
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	125.723.608	88.539.230	6.286.180	4.426.962
Other irrevocable or conditionally revocable commitments	105.069.813	17.619.651	10.112.598	3.694.067
Total Cash Outflows			90.590.326	48.003.999
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	36.853.235	22.340.255	28.405.079	19.788.236
Other contractual cash inflows	624.848	25.096.307	624.848	25.096.307
Total Cash Inflows	37.478.083	47.436.562	29.029.927	44.884.543
			Capped Amounts	
Total High Quality Liquid Assets			91.703.490	62.930.956
Total Net Cash Outflows			61.560.399	12.001.000
Liquidity Coverage Ratio (%)			148,97	524,38

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of current period are explained in the table below.

Current Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	May 7, 2021	May 21, 2021	June 11, 2021	June 4, 2021
Ratio(%)	466,59	140,29	587,42	158,47

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Average amounts of weekly liquidity coverage ratio calculations related to the last three months of prior period are explained in the table below.

Prior Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			88.977.457	58.308.125
Cash Outflows				
Retail and Small Business Customers Deposits	164.279.244	96.259.285	14.989.601	9.625.857
Stable deposits	28.766.473	1.434	1.438.324	72
Less stable deposits	135.512.771	96.257.851	13.551.277	9.625.785
Unsecured Funding other than Retail and Small Business Customers Deposits	98.358.111	51.490.482	52.796.266	25.316.673
Operational deposits	-	-	-	-
Non-Operational deposits	78.461.113	46.430.598	36.594.936	20.256.789
Other Unsecured funding	19.896.998	5.059.884	16.201.330	5.059.884
Secured funding	-	-	-	-
Other Cash Outflows	2.088.551	2.088.551	2.088.551	2.088.551
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.088.551	2.088.551	2.088.551	2.088.551
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	116.462.876	83.117.808	5.823.144	4.155.890
Other irrevocable or conditionally revocable commitments	87.089.354	11.561.221	8.708.975	3.237.787
Total Cash Outflows			84.406.537	44.424.758
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	27.201.926	14.340.078	20.530.073	12.423.246
Other Contractual Cash Inflows	655.502	19.644.127	655.502	19.644.127
Total Cash Inflows	27.857.428	33.984.205	21.185.575	32.067.373
			Capped Amounts	
Total High Quality Liquid Assets			88.977.457	58.308.125
Total Net Cash Outflows			63.220.962	12.357.386
Liquidity Coverage Ratio (%)			140,74	471,85

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of prior period are explained in the table below.

Prior Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	October 30, 2020	October 30, 2020	December 11, 2020	December 11, 2020
Ratio(%)	340,84	129,66	558,15	152,27

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unclassified	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	38.492.092	28.447.083	-	-	-	-	-	66.939.175
Banks	13.039.976	174.112	480.198	-	-	-	-	13.694.286
Financial assets where fair value change is reflected to income statement	14.390	1.301	-	5.193	77.330	494.696	419.761	1.012.671
Money markets	-	-	-	-	-	-	-	-
Financial assets where fair value change is reflected to other comprehensive income statement	-	192.753	515.140	4.949.073	16.649.684	3.142.343	21.202	25.470.195
Loans ⁽¹⁾	-	43.584.730	26.867.160	95.906.339	113.699.863	27.703.884	(7.298.719)	300.463.257
Financial assets measured at amortised cost	-	532.463	303.124	1.659.514	25.381.413	35.672.885	-	63.549.399
Other assets	9.028.633	697.128	1.418.639	1.273.421	3.256.977	1.246.302	32.953.292	49.874.392
Total assets	60.575.091	73.629.570	29.584.261	103.793.540	159.065.267	68.260.110	26.095.536	521.003.375
Liabilities								
Bank deposits	1.475.435	2.774.764	-	-	-	-	-	4.250.199
Other deposits	105.291.044	137.065.859	31.372.805	5.248.444	57.712	-	-	279.035.864
Funds borrowed from other financial institutions	-	151.355	4.934.574	30.175.592	9.213.066	690.700	-	45.165.287
Funds from money market	-	35.048.968	1.133.908	996.359	-	-	-	37.179.235
Marketable securities issued	-	1.644.759	947.133	7.634.441	13.970.265	104.330	-	24.300.928
Miscellaneous payables	195.317	17.060.113	131.927	-	-	-	167.082	17.554.439
Other liabilities ⁽²⁾	5.360.388	280.167	1.154.817	2.181.065	36.350.102	12.566.672	55.624.212	113.517.423
Total liabilities	112.322.184	194.025.985	39.675.164	46.235.901	59.591.145	13.361.702	55.791.294	521.003.375
Net liquidity gap	(51.747.093)	(120.396.415)	(10.090.903)	57.557.639	99.474.122	54.898.408	(29.695.758)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	221.006	312.548	(476.589)	(1.036.850)	1.496.186	-	516.301
Derivative Financial Liabilities	-	56.524.054	40.535.217	22.606.373	73.089.167	41.291.728	-	234.046.539
Derivative Financial Liabilities	-	56.303.048	40.222.669	23.082.962	74.126.017	39.795.542	-	233.530.238
Non-Cash Loans	-	3.829.815	15.754.487	50.927.493	16.466.596	6.346.074	29.727.346	123.051.811
Prior Period								
Total assets	44.672.271	65.954.588	29.601.229	89.625.831	142.975.771	57.501.913	29.362.455	459.694.058
Total liabilities	94.141.042	168.216.398	40.182.241	36.958.703	56.903.919	12.677.156	50.614.599	459.694.058
Net liquidity gap	(49.468.771)	(102.261.810)	(10.581.012)	52.667.128	86.071.852	44.824.757	(21.252.144)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	(1.203.432)	(1.790.386)	1.269.422	(1.339.505)	1.261.323	-	(1.802.578)
Derivative Financial Assets	-	41.362.610	32.431.550	36.369.112	71.255.945	37.103.622	-	218.522.839
Derivative Financial Liabilities	-	42.566.042	34.221.936	35.099.690	72.595.450	35.842.299	-	220.325.417
Non-Cash Loans	-	2.769.066	9.121.743	38.620.638	17.644.893	5.513.093	27.557.848	101.227.281

(1) Non-performing loans are presented in the "Unclassified" column after being offset against expected loss provisions.

(2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

7. Explanations on leverage ratio:

The main reason for decrease in leverage ratio for the current period is the increase in total exposures.

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance sheet exposures		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	516.618.842	468.035.810
(Asset amounts deducted in determining Tier 1 capital)	(4.831.290)	(4.516.845)
Total on-Balance sheet exposures	511.787.552	463.518.965
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	5.370.143	4.156.298
Potential credit risk of derivative financial instruments and credit derivatives	1.918.688	1.821.834
Total derivative financial instruments and credit derivatives exposure	7.288.831	5.978.132
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	1.452.565	1.632.755
Agent transaction exposures	-	-
Total securities financing transaction exposures	1.452.565	1.632.755
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	261.244.515	218.199.061
(Adjustments for conversion to credit equivalent amounts)	(19.463.115)	(19.870.119)
Total risk of off-balance sheet items	241.781.400	198.328.942
Capital and total exposure		
Tier 1 capital	54.439.678	51.617.699
Total exposures	762.310.348	669.458.794
Leverage ratio (%)	7,15	7,71

(1) The arithmetic average of the last three months in the related periods.

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Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

8. Explanations on hedge accounting:

The Bank applies the following hedge accounting models: Fair Value Hedge ("FVH") and Cash Flow Hedge ("CFH").

If the fair value of the hedging instrument within fair value hedge ("FVH") is positive it is classified under "Derivative financial assets at fair value through profit or loss"; if the fair value is negative, it is classified under "Derivative financial liabilities at fair value through profit or loss".

If the fair value of the hedging instrument under hedge of cash flow hedge ("CFH") is positive, it is classified under "Derivative financial assets at fair value through other comprehensive income" if the fair value is negative, it is classified under "Derivative financial liabilities at fair value through other comprehensive income".

Interest rate swap and cross currency interest rate swap are used as hedging instrument in FVH and interest rate swap, currency swap and cross currency interest rate swap are used as hedging instrument in CFH.

Contractual amounts and the fair values as at June 30, 2021 of these hedging instruments are presented in the table below:

Hedging instrument	Current Period			Prior Period		
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Interest rate swap / Currency swap / Cross currency interest rate swap (CFH)	45.525.457	1.267.330	973.245	45.922.447	546.658	2.622.928
Interest rate swap / Cross currency interest rate swap (FVH)	865.436	-	614.699	1.970.473	-	620.019
Total	46.390.893	1.267.330	1.587.944	47.892.920	546.658	3.242.947

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 45.795.599 (December 31, 2020 – TL 46.755.573) the total notional of derivative financial assets amounting to TL 92.186.492 (December 31, 2020 – TL 94.648.493) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in the accounting principles section of these financial statements in Section 3, Part 4.

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8.1. Fair value hedge accounting:

Starting from March 1, 2009, the Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using interest rate swap, cross-currency interest rate swap. Starting from July 28, 2015, the Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with “TAS – 39 Financial Instruments: Recognition and Measurement”.

The impact of application of FVH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Interest rate swap / Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	604	-	614.699	(1.869)

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	2.473	-	620.019	(23.848)

(1) The amount refers to the fair value of the hedged item calculated for Some of fixed interest loan portfolios, foreign currency funds and marketable securities in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

(3) The ineffective portion of the mentioned hedging transaction is TL 32.707 loss (June 30, 2020 - TL 13.004 loss).

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with “TAS 39- Financial Instruments: Recognition and Measurement” and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with “TAS 39- Financial Instruments: Recognition and Measurement”, the effectiveness tests of the relationships are performed in accordance with the Bank’s risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

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8.2. Cash flow hedge accounting:

The Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swap / Currency swap / Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	1.267.330	973.245	534.617	1.511.446

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	546.658	2.622.928	(976.829)	485.963

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 161.798 gain (June 30, 2020–TL 107.273 gain).

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with “TAS – 39 Financial Instruments: Recognition and Measurement” and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with “TAS – 39 Financial Instruments: Recognition and Measurement”, the effectiveness tests of the relationships are performed in accordance with the Bank’s risk management policies.

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CFH accounting requirements (out of the effectiveness range 80% -125%) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

8.3. Net Investment Hedge:

The Bank hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Bank’s EURO denominated borrowing is designated as a hedge of the net investment in the Bank’s certain EURO denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at June 30, 2021 is EUR 481 million (December 31, 2020 - EUR 471 million).

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

9. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no fiduciary transactions.

10. Explanations on operating segments:

The Bank carries out its banking operations through two main business units:

- Retail Banking
- Corporate, Commercial and SME Banking

The Bank’s Retail Banking activities include card payment systems, individual, individual portfolio, blue class, private banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. In addition, customers who receive their monthly salary/SSI payments through our bank are offered privileges covering various banking transactions. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. Through its Blue Class and Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, mutual funds, foreign exchange, gold and equity trading. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory, education and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

Corporate, Commercial and SME Banking segment is organized into three subgroups: Corporate Banking for large-scale, international and multinational companies and Commercial Banking for medium-sized enterprises and SME Banking for SME companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management, internet banking, financial advisory and equity management advisory. SME Banking offer to customers SME loans and SME banking packages products.

The Bank’s widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Treasury, Asset – Liability Management and other operations, mainly consist of treasury management’s results, operations of supporting business units and other unallocated transactions.

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Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

Major balance sheet and income statement items based on operating segments:

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Current Period	Retail banking	Corporate, Commercial and SME banking	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	4.272.468	4.446.396	2.663.675	11.382.539
Operating expenses	(3.314.413)	(1.966.977)	(2.229.689)	(7.511.079)
Net operating income / (expense)	958.055	2.479.419	433.986	3.871.460
Dividend income ⁽¹⁾	-	-	2.141	2.141
Income/(loss) from investments accounted based on equity method ⁽¹⁾	-	-	617.008	617.008
Profit before tax	958.055	2.479.419	1.053.135	4.490.609
Tax provision expense ⁽¹⁾	-	-	(805.245)	(805.245)
Net period income	958.055	2.479.419	247.890	3.685.364
Net profit	958.055	2.479.419	247.890	3.685.364
Segment asset	98.732.850	192.498.666	218.287.476	509.518.992
Investments in associates, subsidiaries and joint ventures	-	-	11.484.383	11.484.383
Total assets	98.732.850	192.498.666	229.771.859	521.003.375
Segment liabilities	188.501.633	103.740.785	176.349.097	468.591.515
Shareholders' equity	-	-	52.411.860	52.411.860
Total liabilities	188.501.633	103.740.785	228.760.957	521.003.375

Prior Period⁽²⁾	Retail banking	Corporate, Commercial and SME banking	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	4.447.485	4.041.619	2.919.510	11.408.614
Operating expenses	(4.067.421)	(2.602.825)	(2.147.860)	(8.818.106)
Net operating income / (expense)	380.064	1.438.794	771.650	2.590.508
Dividend income ⁽¹⁾	-	-	2.008	2.008
Income/(loss) from investments accounted based on equity method ⁽¹⁾	-	-	435.874	435.874
Profit before tax	380.064	1.438.794	1.209.532	3.028.390
Tax provision expense ⁽¹⁾	-	-	(567.616)	(567.616)
Net period income	380.064	1.438.794	641.916	2.460.774
Net profit	380.064	1.438.794	641.916	2.460.774
Segment asset	101.544.189	168.319.771	179.773.383	449.637.343
Investments in associates, subsidiaries and joint ventures	-	-	10.056.715	10.056.715
Total assets	101.544.189	168.319.771	189.830.098	459.694.058
Segment liabilities	186.032.270	76.891.537	149.205.780	412.129.587
Shareholders' equity	-	-	47.564.471	47.564.471
Total liabilities	186.032.270	76.891.537	196.770.251	459.694.058

(1) Related items have not been distributed based on operating segments and presented under “Treasury, Asset-Liability Management and Other”.

(2) Income statements items presents the balances as of June 30, 2020

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section five - Explanations and notes related to unconsolidated financial statements**1. Explanations and notes related to assets****1.1. Information related to cash and the account of the Central Bank of the Republic of Turkey:****1.1.1. Information on cash and the account of the CBRT:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.723.067	6.441.506	1.388.892	4.582.299
The CBRT ⁽¹⁾	8.590.274	50.184.189	9.111.172	39.945.078
Other	-	139	-	31
Total	10.313.341	56.625.834	10.500.064	44.527.408

(1) The balance of gold amounting to TL 6.419.045 is accounted for under the Central Bank foreign currency account (December 31, 2020 – TL 5.903.518).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	8.590.274	21.737.106	8.360.849	17.386.051
Time unrestricted amount	-	-	750.323	-
Time restricted amount	-	3.109.350	-	-
Reserve requirement ⁽²⁾	-	25.337.733	-	22.559.027
Total	8.590.274	50.184.189	9.111.172	39.945.078

(1) The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.

(2) The Bank keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2013/15, "Decree on Reserve Deposits".

1.2. Information on financial assets at fair value through profit and loss:

The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2020- None).

1.3. Information on derivative financial assets:**1.3.1. Positive differences related to derivative financial assets held for trading:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	590.104	-	607.047	990
Swap transactions	4.525.946	1.400.688	2.772.117	1.590.678
Futures transactions	-	-	-	-
Options	73.916	34.481	47.417	49.613
Other	-	-	-	-
Total	5.189.966	1.435.169	3.426.581	1.641.281

1.3.2. Positive differences related to derivative financial assets held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges ⁽¹⁾	-	-	-	-
Cash flow hedges ⁽¹⁾	1.266.144	1.186	546.658	-
Hedges for investments made in foreign countries	-	-	-	-
Total	1.266.144	1.186	546.658	-

(1) Explained in Note 8 of section 4.

1.4. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	855	3.439	3.277.545	5.132
Foreign	-	13.689.992	-	7.781.450
Head quarters and branches abroad	-	-	-	-
Total	855	13.693.431	3.277.545	7.786.582

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral / blocked:

As of June 30, 2021 financial assets at fair value through other comprehensive income given as collateral/blocked amounts to TL 1.129.187 (December 31, 2020 - TL 1.327.982), subject to repo transactions amounts to TL 9.975.726 (December 31, 2020 - TL 10.946.226).

1.6. Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt securities	25.770.623	25.034.403
Quoted on stock exchange	25.770.623	25.034.403
Not quoted	-	-
Share certificates	66.520	66.771
Quoted on stock exchange	-	-
Not quoted	66.520	66.771
Impairment provision (-) ⁽¹⁾	366.948	237.007
Other	-	-
Total	25.470.195	24.864.167

(1) Includes the negative differences between the acquisition cost and the market price related to the securities portfolio.

1.7. Explanations on loans:

1.7.1. Information on all types of loans or advance balances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	35.020	-
Corporate shareholders	-	-	35.020	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	114.590	969.385	136.055	898.824
Loans granted to employees	243.478	373	240.380	91
Total	358.068	969.758	411.455	898.915

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1.7.2. Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

Cash Loans	Standard Loans	Loans under close monitoring ⁽²⁾		
		Not under the scope of restructuring	Loans under restructuring	
			Modifications on agreement conditions	Refinancing
Non-specialized loans	256.213.957	25.186.164	4.805.093	21.256.641
Loans given to enterprises	112.322.147	13.899.621	4.674.797	10.152.534
Export loans	14.303.003	204.310	127.528	7.886.421
Import loans	-	-	-	-
Loans given to financial sector	11.627.399	-	-	-
Consumer loans	55.406.106	3.827.423	-	617.692
Credit cards	35.528.099	2.990.516	-	418.370
Other ⁽¹⁾	27.027.203	4.264.294	2.768	2.181.624
Specialized loans	-	-	-	-
Other receivables	300.121	-	-	-
Total	256.514.078	25.186.164	4.805.093	21.256.641

(1) Fair value differences of the hedged item amounting to TL 30.096 loss are classified in other loans as explained in Note 8, Section 4.

(2) Loans under close monitoring of the Bank with a past due between 91 – 180 days amounting to TL 1.325.595 (December 31, 2020 – TL 998.717)

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	2.831.455	-
Significant increase in credit risk	-	9.333.992
Total	2.831.455	9.333.992

1.7.3. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TL	1.221.590	55.230.080	56.451.670
Real estate loans	8.062	11.587.069	11.595.131
Automotive loans	166.550	2.164.443	2.330.993
Consumer loans	1.046.978	41.478.568	42.525.546
Consumer loans-FC indexed	-	14.326	14.326
Real estate loans	-	14.326	14.326
Automotive loans	-	-	-
Consumer loans	-	-	-
Individual credit cards-TL	27.107.723	274.311	27.382.034
With installments	12.719.620	89.034	12.808.654
Without installments	14.388.103	185.277	14.573.380
Individual credit cards-FC	22.766	-	22.766
With installments	-	-	-
Without installments	22.766	-	22.766
Personnel loans-TL	8.333	84.882	93.215
Real estate loans	-	1.545	1.545
Automotive loans	34	532	566
Consumer loans	8.299	82.805	91.104
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	144.730	686	145.416
With installments	67.308	631	67.939
Without installments	77.422	55	77.477
Personnel credit cards-FC	196	-	196
With installments	-	-	-
Without installments	196	-	196
Credit deposit account-TL (real person)⁽¹⁾	3.292.010	-	3.292.010
Total	31.797.348	55.604.285	87.401.633

(1) TL 4.651 of the credit deposit account belongs to the loans used by personnel.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.4. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installments loans-TL	1.268.462	17.729.727	18.998.189
Business loans	2.250	979.613	981.863
Automotive loans	397.752	4.186.167	4.583.919
Consumer loans	868.460	12.563.947	13.432.407
Commercial installments loans-FC indexed	-	6.102	6.102
Business loans	-	-	-
Automotive loans	-	2.321	2.321
Consumer loans	-	3.781	3.781
Corporate credit cards-TL	11.271.066	114.442	11.385.508
With installment	7.461.172	105.194	7.566.366
Without installment	3.809.894	9.248	3.819.142
Corporate credit cards-FC	1.065	-	1.065
With installment	-	-	-
Without installment	1.065	-	1.065
Credit deposit account-TL (legal person)	1.088.182	-	1.088.182
Total	13.628.775	17.850.271	31.479.046

1.7.5. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	303.158.908	271.933.805
Foreign loans	4.603.068	3.195.906
Total	307.761.976	275.129.711

1.7.6. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	173.235	1.245.321
Indirect loans granted to associates and subsidiaries	-	-
Total	173.235	1.245.321

1.7.7. Information on credit-impaired (Stage 3):

	Current Period	Prior Period
Loans with limited collectability	49.342	823.398
Loans with doubtful collectability	1.294.213	478.083
Uncollectable loans	10.744.724	11.750.468
Total	12.088.279	13.051.949

1.7.8. Information on non-performing loans (net):**1.7.8.1. Information on restructured loans from non-performing loans:**

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Current Period			
Gross amounts before specific reserves	11	76.508	2.646.390
Restructured loans	11	76.508	2.646.390
Prior Period			
Gross amounts before specific reserves	395	171.111	1.573.221
Restructured loans	395	171.111	1.573.221

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

1.7.8.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period	1.168.912	809.966	16.818.256
Additions (+)	202.080	586.614	288.956
Transfers from other categories of non-performing loans (+)	-	1.285.815	579.676
Transfer to other categories of non-performing loans (-)	1.285.815	579.676	-
Collections (-)	22.419	193.642	1.670.324
Write-offs (-)	-	-	1.033.391
Sold (-)	-	-	-
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current Period	62.758	1.909.077	14.983.173
Specific provision (-)	49.342	1.294.213	10.744.724
Net balance on balance sheet	13.416	614.864	4.238.449

As of June 30, 2021, in accordance with the changes on “Provisioning Regulation” published in the Official Gazette No. 30961 dated November 27, 2019 by BRSA, the Bank has written off corporate loans amounting to TL 975.062 that are classified under Group 5, more than 540 days overdue and after collaterals deducted approximately 100% provisioned hence there is no reasonable expectation of recovery. After the loans had written off within the period in accordance with the changes on Provisioning Regulation, non performing loan ratio decreased from 5,51% to 5,22%.

1.7.8.3. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
Period end balance	34.148	536.120	6.404.574
Specific provision (-)	33.801	233.965	3.750.163
Net balance on-balance sheet	347	302.155	2.654.411
Prior Period			
Period end balance	390.728	164.643	7.968.927
Specific provision (-)	192.011	52.102	4.671.518
Net balance on-balance sheet	198.717	112.541	3.297.409

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

1.7.8.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (net)	13.416	614.864	4.238.449
Loans granted to real persons and corporate entities (gross)	62.758	1.909.077	14.898.499
Provision amount (-)	49.342	1.294.213	10.660.050
Loans granted to real persons and corporate entities (net)	13.416	614.864	4.238.449
Banks (gross)	-	-	774
Provision amount (-)	-	-	774
Banks (net)	-	-	-
Other loans (gross)	-	-	83.900
Provision amount (-)	-	-	83.900
Other loans (Net)	-	-	-
Prior Period (net)	345.514	331.883	5.067.788
Loans granted to real persons and corporate entities (gross)	1.168.912	809.966	16.733.582
Specific provision amount (-)	823.398	478.083	11.665.794
Loans granted to real persons and corporate entities (Net)	345.514	331.883	5.067.788
Banks (gross)	-	-	774
Specific provision amount (-)	-	-	774
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.900
Specific provision amount (-)	-	-	83.900
Other loans and receivables (Net)	-	-	-

1.7.8.5. Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (net)	653	68.716	302.075
Interest accruals and rediscounts and valuation differences	5.592	265.563	1.169.928
Provision amount (-)	4.939	196.847	867.853
Prior Period (net)	3.450	26.342	236.026
Interest accruals and rediscounts and valuation differences	186.847	87.171	1.211.069
Provision amount (-)	183.397	60.829	975.043

1.7.9. Explanation on liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

1.7.10. Explanation on “Write-off” policies:

In order to ensure the liquidation of non-performing loans and other receivables related to the liquidation policy, to provide the maximum collection all possible alternatives within the framework of the legislation are applied, and in case of collection, liquidation or receivables with no possibility of restructuring, the legal follow-up and conversion of collaterals into cash method is applied.

The receivables that are determined to be uncollectible in the Legal Follow-up process regarding the write-off policy can be deleted by the resolution of the Board of Directors by fulfilling the requirements in the relevant laws, regulations and internal directives.

Besides, in accordance with the changes on “Provisioning Regulation” published in the Official Gazette No. 30961 dated November 27, 2019 by the BRSA, the Bank, in line with TFRS 9, may write off part of the loans for which the Bank has no reasonable expectation of recovery and that are classified under group 5 with a life time expected credit loss due to default of debtor, starting from the following reporting date that the loan is classified in group 5. Write off is only an accounting application in accordance with the related change in the regulation and it does not result in waive from the Bank’s right to receive.

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1.8. Information on financial assets at amortized cost:

1.8.1. Characteristics and carrying values of financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:

As of June 30, 2021 Financial assets measured at amortised cost given as collateral/blocked amounts to TL 23.835.401 (December 31, 2020 - TL 20.070.137). Subject to repo transactions amounting to TL 28.755.829 (December 31, 2020 - TL 17.961.020).

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current Period	Prior Period
Government bond	63.218.595	50.411.108
Treasury bill	-	-
Other public sector debt securities	330.804	330.804
Total	63.549.399	50.741.912

1.8.3. Information on financial assets measured at amortized cost:

	Current Period	Prior Period
Debt securities	65.167.586	52.056.190
Quoted on stock exchange	65.167.586	52.056.190
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	1.618.187	1.314.278
Total	63.549.399	50.741.912

(1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities

1.8.4. Movement of financial assets measured at amortized cost within the period:

	Current Period	Prior Period
Beginning balance	50.741.912	28.305.659
Foreign currency differences on monetary assets ⁽¹⁾	5.698.049	4.799.139
Purchases during the year	7.591.201	20.429.342
Disposals through sales and redemptions(-)	177.854	2.352.411
Impairment provision (-) ⁽²⁾	303.909	439.817
Period end balance	63.549.399	50.741.912

(1) Also includes the changes in the interest income accruals.

(2) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage(%)
1.	Banque de Commerce et de Placements S.A.	Geneva/Switzerland	30,67	30,67
2.	Kredi Kayıt Bürosu ⁽¹⁾	Istanbul/Turkey	18,18	18,18
3.	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Turkey	4,89	4,89

(1) Financial statement information disclosed above shows March 31, 2021 results.

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	34.742.859	5.017.652	26.585	266.173	45.591	177.155	52.935	-
2.	469.637	306.989	289.125	3.880	-	14.770	11.740	-
3.	317.815	262.940	90.033	7.428	-	27.999	8.961	-

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1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	1.214.883	908.358
Movements during the period	166.985	306.525
Purchases	-	-
Free shares obtained profit from current year's share	-	5.686
Profit from current year's income	-	-
Sales(-)	-	-
Revaluation (decrease) / increase ⁽¹⁾	166.985	320.272
Impairment provision (-) ⁽²⁾	-	19.433
Balance at the end of the period	1.381.868	1.214.883
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes the differences in the other comprehensive income related with the equity method accounting.

(2) Includes dividend income received in the current period.

1.9.4. Information on sectors and the carrying amounts of unconsolidated financial investments in associates:

	Current Period	Prior Period
Banks	1.370.082	1.203.097
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total	1.370.082	1.203.097

1.9.5. Information on investments in associates quoted on a stock exchange:

None (December 31, 2020 - None).

1.10. Information on shareholders' equity of the significant subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core capital					
Paid in capital	98.918	130.000	389.928	7.642	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other capital reserves	95.737	-	(217.104)	-	-
Other accumulated comprehensive income that will not be classified in profit or loss	51.385	(2.635)	(11.789)	(1.310)	-
Other accumulated comprehensive income that will be classified in profit or loss	569	-	-	-	3.045.938
Legal reserves	65.219	20.914	79.305	52.837	-
Extraordinary reserves	342.515	358.115	659.399	-	1.082.191
Other profit Reserves	-	-	-	-	-
Income or Loss	162.590	72.410	2.216.221	62.150	101.739
Current Year Income/Loss	232.536	72.410	223.743	62.150	101.739
Prior Years' Income/Loss	(69.946)	-	1.992.478	-	-
Leasehold improvements (-)	180	214	-	227	253
Intangible assets (-)	34.367	4.764	12.117	383	6.882
Total core capital	782.386	573.826	3.103.843	120.709	4.335.175
Supplementary capital	39.797	729	4.060	-	30.525
Capital	822.183	574.555	3.107.903	120.709	4.365.700
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	822.183	574.555	3.107.903	120.709	4.365.700

The above information is based on the consolidated financial statements of the Bank as of June 30, 2021.

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Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register. Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

1.10.2. Information on subsidiaries:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1	Yapı Kredi Holding B.V.	Amsterdam/Holland	100,00	100,00
2	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring A.Ş.	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Finansal Kiralama A.O.	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy Yönetimi A.Ş.	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi Niderland N.V.	Amsterdam/Holland	67,24	100,00
7	Yapı Kredi Azerbaycan	Baku/Azerbaijan	99,80	100,00
8	Enternasyonal Turizm Yatırım A.Ş.	Istanbul/Turkey	99,96	99,99
9	Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş.	Istanbul/Turkey	99,99	100,00
10	Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

1.10.3. Main financial figures of the subsidiaries in order of the above table:

Financial statement information disclosed consolidated financial statements results.

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Non marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market value	Required equity
1	241.056	240.382	-	-	-	275	(42)	-	-
2	5.280.186	816.933	65.629	97.041	10.054	232.536	120.199	-	-
3	5.037.066	578.804	8.680	287.002	-	72.410	54.197	-	-
4	13.284.369	3.115.960	14.476	483.920	-	223.743	183.812	-	-
5	146.591	121.319	1.880	11.507	-	62.150	38.939	-	-
6	20.810.361	4.342.311	13.536	228.421	16.676	101.739	69.685	-	-
7	1.784.514	483.405	94.441	34.194	3.236	902	7.471	-	-
8	59.052	46.212	4.719	2.216	-	2.267	1.541	-	-
9	81.653	58.106	1.762	214	-	9.601	8.465	-	-
10	27.701	20.180	6.522	1.099	-	3.200	1.510	-	-

1.10.4. Movement schedule of subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	8.811.658	6.888.953
Movements in period	1.283.557	1.922.705
Purchases	-	-
Free shares obtained profit from current years share	-	-
Dividends from current year income	616.961	883.080
Sales(-) ⁽¹⁾	-	-
Revaluation increase/decrease ⁽¹⁾	709.544	1.159.882
Impairment provision (-) ⁽²⁾	42.948	120.257
Balance at the end of the period	10.095.215	8.811.658
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes the shares taken from the other comprehensive income according to the equity method.

(2) Includes dividend income received in the current period.

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1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Financial subsidiaries	Current Period	Prior Period
Banks	3.402.347	2.877.842
Insurance companies	-	-
Factoring companies	578.528	506.468
Leasing companies	3.115.771	2.905.625
Finance companies	-	-
Other financial subsidiaries	2.998.569	2.521.723
Total	10.095.215	8.811.658

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2020 - None).

1.11. Information on joint ventures (net):

As of December 31, 2020, Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. was consolidated through "Equity Method" in the accompanying unconsolidated financial statements of the Bank. With the Bank's Board of Directors resolution dated February 24, 2021, the Bank signed a share transfer agreement with Koray Gayrimenkul ve Yatırım A.Ş. for the shares of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. and sale transaction is completed on May 17, 2021. (December 31, 2020 – TL 22.874)

1.12. Information on lease receivables (net):

None (December 31, 2020 - None).

1.13. Information on investment property:

None (December 31, 2020 - None).

1.14. Information on deferred tax :

In accordance with TAS 12, deferred tax assets and deferred tax liabilities in the financial statements are clarified and deferred tax asset amounting to TL 2.769.419 is presented in the financial statements (December 31, 2020 – TL 3.563.486 deferred tax assets).

1.15. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	709.869	320.059
Additions ⁽¹⁾	843.824	772.522
Disposals (-), net	181.486	383.773
Impairment provision reversal	1.387	1.061
Impairment (-)	-	-
Depreciation (-)	-	-
Net book value at the end of the period	1.373.594	709.869
Cost at the end of the period	1.375.412	715.652
Accumulated depreciation at the end of the period (-)	1.818	5.783
Net book value at the end of the period	1.373.594	709.869

(1) In current period, the carrying value of asset held for resale with a right of repurchase is TL 760.330 (December 31, 2020 – TL 493.843). The total net carrying value of asset held for resale with a right of repurchase is TL 1.189.350 (December 31, 2020 – TL 493.843).

As of June 30, 2021, the Bank booked impairment provision on assets held for resale with an amount of TL 1.252 (December 31, 2020 – TL 2.639).

1.16. Information on other assets:

As of June 30, 2021, other assets do not exceed 10% of the total assets.

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2. Explanations and notes related to liabilities**2.1. Information on deposits:****2.1.1. Information on maturity structure of deposits/collected funds:**

Current Period	Demand	Up to 1 month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	19.881.190	3.441.540	46.579.659	1.157.609	317.622	429.739	880	71.808.239
Foreign currency deposits	57.754.139	13.217.893	63.655.724	6.538.391	1.211.882	2.642.286	-	145.020.315
Residents in Turkey	56.603.171	12.994.101	61.981.422	6.468.858	1.065.780	697.819	-	139.811.151
Residents abroad	1.150.968	223.792	1.674.302	69.533	146.102	1.944.467	-	5.209.164
Public sector deposits	1.658.222	1.769	13.896	9.456	106	39	-	1.683.488
Commercial deposits	12.200.509	9.596.092	20.948.567	163.972	65.404	49.662	-	43.024.206
Other institutions deposits	179.059	50.695	1.408.228	4.495	380.336	227.893	-	2.250.706
Precious metals vault	13.617.925	-	177.767	237	1.373.356	79.625	-	15.248.910
Bank deposits	1.475.435	1.476.890	849.595	373.586	74.693	-	-	4.250.199
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	6.088	1.256.971	825.164	373.586	74.693	-	-	2.536.502
Foreign banks	913.168	219.919	24.431	-	-	-	-	1.157.518
Participation banks	556.179	-	-	-	-	-	-	556.179
Other	-	-	-	-	-	-	-	-
Total	106.766.479	27.784.879	133.633.436	8.247.746	3.423.399	3.429.244	880	283.286.063

Prior Period	Demand	Up to 1 month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	14.232.109	2.592.523	41.599.520	645.511	225.321	217.600	1.080	59.513.664
Foreign currency deposits	49.793.033	12.435.142	56.910.086	5.548.490	3.469.241	2.245.196	-	130.401.188
Residents in Turkey	48.931.106	12.212.775	55.382.710	5.402.452	3.315.058	765.298	-	126.009.399
Residents abroad	861.927	222.367	1.527.376	146.038	154.183	1.479.898	-	4.391.789
Public sector deposits	1.235.151	10.448	10.547	31	535	666	-	1.257.378
Commercial deposits	10.971.604	12.260.881	17.114.626	37.237	13.804	82.642	-	40.480.794
Other institutions deposits	158.217	111.850	1.522.255	2.974	580.958	760	-	2.377.014
Precious metals vault	12.941.904	-	-	252	1.528.913	106.626	-	14.577.695
Bank deposits	1.209.431	3.083.428	886.592	405.881	87.091	-	-	5.672.423
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.834	3.068.232	815.619	405.881	87.091	-	-	4.384.657
Foreign banks	921.012	15.196	70.973	-	-	-	-	1.007.181
Participation banks	280.585	-	-	-	-	-	-	280.585
Other	-	-	-	-	-	-	-	-
Total	90.541.449	30.494.272	118.043.626	6.640.376	5.905.863	2.653.490	1.080	254.280.156

2.1.2. Information on saving deposits insurance:**2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:**

Saving deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	37.994.935	32.209.587	33.813.292	27.303.539
Foreign currency saving deposits	18.088.643	18.646.132	64.008.964	54.531.674
Other deposits in the form of saving deposits	6.738.752	6.731.306	7.102.507	6.041.089
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	14.908	12.611
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	471.905	258.641
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

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2.2. Information on trading derivative financial liabilities:**2.2.1. Negative differences table for derivative financial liabilities held for trading:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	257.852	-	161.115	896
Swap transactions	3.847.529	2.023.004	5.166.378	1.961.908
Futures transactions	21	-	3.423	-
Options	34.047	14.690	31.063	16.460
Other	-	-	-	-
Total	4.139.449	2.037.694	5.361.979	1.979.264

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges ⁽¹⁾	614.699	-	620.019	-
Cash flow hedges ⁽¹⁾	125.599	847.646	1.581.488	1.041.440
Hedges for investments made in foreign countries	-	-	-	-
Total	740.298	847.646	2.201.507	1.041.440

(1) Explained in Note 8 of section 4.

2.3. Information about banks and other financial institutions:**2.3.1. Information on borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The CBRT borrowings	-	-	-	-
From domestic banks and institutions	690.811	577.942	631.727	202.486
From foreign banks, institutions and funds	727.050	43.169.484	112.035	37.334.191
Total	1.417.861	43.747.426	743.762	37.536.677

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	635.506	9.770.803	736.277	7.297.496
Medium and long-term	782.355	33.976.623	7.485	30.239.181
Total	1.417.861	43.747.426	743.762	37.536.677

2.3.3. Information on securitization borrowings:

2.3.3.1. The Bank obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

	Current Period		Prior Period	
	TL	FC	TL	FC
From foreign banks	-	-	-	-
From foreign institutions	-	17.192.563	-	15.592.986
From foreign funds	-	-	-	-
Total	-	17.192.563	-	15.592.986

2.3.3.2. Information on financial liabilities at fair value through profit or loss :

The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of June 30, 2021, the total amount of financial liabilities classified as fair value through profit/loss is TL 14.553.751 (December 31, 2020 –TL 12.887.831) with an accrued interest income of TL 808.819 (December 31, 2020 - TL 404.249 income) and with a fair value difference of TL 413.134 recognized in the expense statement as an income (December 31, 2020- TL 134.032 income). On the other hand, the nominal amounts of the total return swaps and bond forwards which are closely related with these financial liabilities as of June 30, 2021 are TL 14.927.310 (December 31, 2020- TL 12.925.055) for buy legs and sell legs with a fair value differences amounting to TL 748.194 liability (December 31, 2020 - TL 386.416 liability). The mentioned total return swaps have 8 year maturity in average.

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2.3.4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	4.913.396	-	3.623.981	-
Bills ⁽¹⁾	1.264.310	18.123.222	1.610.481	15.282.960
Total	6.177.706	18.123.222	5.234.462	15.282.960

(1) Including mortgage backed securities amounting to TL 2.021.166 as of June 30, 2021 (December 31, 2020 – TL 2.036.940).

2.4. Information on other liabilities:

As of June 30, 2021, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	370.392	242.303	351.699	223.815
Between 1 – 4 years	759.887	497.186	767.760	488.598
More than 4 years	536.533	350.991	571.689	363.814
Total	1.666.812	1.090.480	1.691.148	1.076.227

2.6. Information on provisions:

2.6.1. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. “TAS – 19 Employee Rights” necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate (%)	4,63	4,63
Possibility of being eligible for retirement (%)	95,30	95,30

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 8.284.51 effective from July 1, 2021 (January 1, 2021 - full TL 7.638,96) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	635.407	520.383
Changes during the period	43.335	85.654
Recognized in equity	49.873	125.833
Paid during the period	(21.768)	(96.463)
Balance at the end of the period	706.847	635.407

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 214.682 as of June 30, 2021 (December 31, 2020 - TL 168.721).

2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

None. (December 31, 2020 – None).

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2.6.3. Other provisions:

	Current Period	Prior Period
Pension fund provision	1.461.542	1.461.542
Provisions on unindemnified non cash loans	718.516	715.217
Generic provisions on non cash loans	659.649	346.464
Provision on lawsuits	86.383	78.833
Provisions on credit cards and promotion campaigns related to banking services	61.779	64.697
Other	926.275	897.655
Total	3.914.144	3.564.408

2.7. Information on taxes payable:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	151.811	1.434.478
Taxation of Marketable Securities	178.130	143.115
Property Tax	2.146	2.060
Banking Insurance Transaction Tax (“BITT”)	202.770	168.561
Foreign Exchange Transaction Tax	10.627	11.005
Value Added Tax Payable	11.425	9.549
Other	63.923	86.211
Total	620.832	1.854.979

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	32.866	25.358
Bank pension fund premiums – employer	45.512	35.101
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	2.351	1.811
Unemployment insurance – employer	4.704	3.624
Other	-	-
Total	85.433	65.894

2.8. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None (December 31, 2020 - None).

2.9. Information on subordinated debt⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in additional capital calculation	-	6.019.445	-	5.066.291
Subordinated loans	-	-	-	-
Subordinated debt	-	6.019.445	-	5.066.291
Debt instruments to be included in contribution capital calculation	878.427	19.896.052	838.459	16.750.304
Subordinated loans	-	7.477.716	-	6.305.871
Subordinated debt	878.427	12.418.336	838.459	10.444.433
Total	878.427	25.915.497	838.459	21.816.595

(1) Subordinated loans are explained in detail in Note “Details on Subordinated Liabilities” of section four.

2.10. Information on shareholders’ equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	8.447.051
Preferred stock	-	-

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2.10.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	15.000.000

2.10.3. Information on the share capital increases during the period and the sources:

None (December 31, 2020 – None).

2.10.4. Information on transfers from capital reserves to capital during the current period:

None (December 31, 2020 – None).

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None (December 31, 2020 - None).

2.10.6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk and legal limits.

2.10.7. Privileges on the corporate stock:

None (December 31, 2020 - None).

2.10.8. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	739.013	5.301.907	753.923	4.410.468
Revaluation difference ⁽¹⁾	739.013	437.614	753.923	436.694
Foreign currency difference ⁽¹⁾	-	4.864.293	-	3.973.774
Financial assets at fair value through other comprehensive income	10.342	2.062	91.560	121.792
Revaluation difference ⁽²⁾	10.342	2.062	91.560	121.792
Foreign currency differences	-	-	-	-
Total	749.355	5.303.969	845.483	4.532.260

(1) Includes differences between historical cost basis and equity method of associates, subsidiaries and joint ventures.

(2) Includes tax effect related to foreign currency valuation differences in TL column.

2.10.9. Information on profit distribution:

It was decided to distribute unconsolidated net profit of TL 5.079.518 as of December 31, 2020, in accordance with the General Assembly dated March 25, 2021 as follows: TL 261.741 to be transferred to legal reserves, TL 148.338 to be transferred to special funds account due to the profit from the sale of real estate in accordance with the article No 5 1/e section of the Corporate Tax Law numbered 5520, TL 500.000 to be distributed as cash dividend and the remaining TL 4.169.439 to be transferred to extraordinary reserves.

3. Explanations and notes related to off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	53.081.834	48.016.964
Asset purchase and sale commitments	31.754.346	14.537.665
Loan granting commitments	21.927.176	17.976.082
Commitments for cheques	4.218.526	3.437.866
Other irrevocable commitments	12.013.346	8.458.927
Total	122.995.228	92.427.504

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3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 659.649 (December 31, 2020 - TL 346.464) and specific provision amounting to TL 956.513 (December 31, 2020 - TL 987.003) for non-cash loans which are not indemnified yet amounting to TL 718.516 (December 31, 2020 - TL 715.217).

3.1.2.1. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	283.805	238.025
Letter of credits	15.562.042	9.011.522
Other guarantees and collaterals	11.760.366	9.982.292
Total	27.606.213	19.231.839

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.215.266	2.481.798
Definite letter of guarantees	52.896.002	46.120.693
Advance letter of guarantees	13.521.227	12.163.916
Letter of guarantees given to customs	3.838.867	3.478.997
Other letter of guarantees	22.974.236	17.750.038
Total	95.445.598	81.995.442

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	22.096.539	16.929.756
With original maturity of 1 year or less than 1 year	5.401.961	2.208.637
With original maturity of more than 1 year	16.694.578	14.721.119
Other non-cash loans	100.955.272	84.297.525
Total	123.051.811	101.227.281

3.2. Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 86.383 (December 31, 2020 – TL 78.833) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

3.3. Information on services in the name and account of others:

The Bank's activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

4. Explanations and notes related to income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	4.202.872	399.732	2.355.135	262.205
Medium/long-term loans ⁽¹⁾	8.220.273	2.934.379	6.353.539	2.771.240
Interest on loans under follow-up	403.084	-	480.407	-
Premiums received from resource utilization support fund	-	-	-	-
Total	12.826.229	3.334.111	9.189.081	3.033.445

(1) Includes fees and commissions received for cash loans.

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4.1.2. Information on interest income on banks :

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	969	-	1.059	-
From domestic banks	94.958	34	108.374	660
From foreign banks	1.364	59.435	56	160.813
Headquarters and branches abroad	-	-	-	-
Total	97.291	59.469	109.489	161.473

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets at fair value through profit or loss	3.875	7.033	2.935	2.559
From financial assets at fair value through other comprehensive income	1.532.414	84.600	1.244.976	100.314
From financial assets measured at amortised cost	2.751.993	513.719	1.171.864	170.016
Total	4.288.282	605.352	2.419.775	272.889

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	60.754	20.928
Total	60.754	20.928

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	65.794	647.972	26.742	713.503
The CBRT	-	-	-	-
Domestic banks	39.591	5.365	25.988	4.137
Foreign banks	26.203	642.607	754	709.366
Headquarters and branches abroad	-	-	-	-
Other institutions	-	247.129	-	362.324
Total⁽¹⁾	65.794	895.101	26.742	1.075.827

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	24.484	9.647
Total	24.484	9.647

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	689.165	1.430.762	500.849	1.097.837
Total	689.165	1.430.762	500.849	1.097.837

4.2.4. Information on interest expense on money market transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on money market transactions	2.697.787	24.364	130.724	14.042
Total	2.697.787	24.364	130.724	14.042

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4.2.5. Maturity structure of the interest expense on deposits:

Account name	Time Deposit						Accumulating deposit	Total	Prior Period
	Demand Deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TL									
Bank deposits	6.233	88.616	31.116	-	-	-	-	125.965	36.850
Saving deposits	-	196.430	3.633.886	94.398	17.117	17.070	183	3.959.084	2.338.576
Public sector deposits	-	2.043	1.378	508	17	17	-	3.963	499
Commercial deposits	8	771.688	1.633.707	9.653	3.380	3.530	-	2.421.966	1.248.148
Other deposits	-	22.261	132.697	506	46.900	11.301	-	213.665	200.199
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	6.241	1.081.038	5.432.784	105.065	67.414	31.918	183	6.724.643	3.824.272
FC									
Foreign currency deposits	216	68.683	342.435	22.401	20.855	2.938	-	457.528	458.933
Bank deposits	3.676	10.647	21	-	-	-	-	14.344	14.640
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	126	719	-	892	105	-	1.842	4.194
Total	3.892	79.456	343.175	22.401	21.747	3.043	-	473.714	477.767
Grand total	10.133	1.160.494	5.775.959	127.466	89.161	34.961	183	7.198.357	4.302.039

4.3. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	51.175.958	33.610.489
Gain from capital market transactions	148.258	338.710
Derivative financial transaction gains	18.676.110	14.180.712
Foreign exchange gains	32.351.590	19.091.067
Loss (-)	52.546.393	33.247.273
Loss from capital market transactions	54.319	38.082
Derivative financial transaction losses	14.552.500	11.962.728
Foreign exchange loss	37.939.574	21.246.463
Net gain/loss	(1.370.435)	363.216

4.4. Allowance for expected credit losses and other provision expenses:

	Current Period	Prior Period
Allowance for expected credit losses	2.944.546	4.534.593
12-month expected credit losses (Stage 1)	578.997	690.567
Significant increase in credit risk (Stage 2)	1.216.894	1.710.696
Credit-Impaired (Stage 3)	1.148.655	2.133.330
Impairment provisions for financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	-	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-	-
Investments in associates	-	-
Subsidiaries	-	-
Jointly controlled partnerships (joint ventures)	-	-
Other	118.885	407.154
Total	3.063.431	4.941.747

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4.5. Information on derivatives financial transaction gain/loss:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 7.123.137 (June 30, 2020 – TL 2.990.628 gain).

4.6. Information on other operating income:

“Other Operating Income” in the Income Statement mainly includes collections from receivables for which Specific / General provision has been allocated in prior periods.

4.7. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	21.567	7.395
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	74
Depreciation expenses of property and equipment	251.878	245.941
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	96.852	86.557
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.604.365	1.310.758
IFRS 16 exempt lease expenses	39.015	31.533
Repair and maintenance expenses	71.664	58.242
Advertising expenses	80.131	74.076
Other expense	1.413.555	1.146.907
Loss on sales of assets	-	-
Other	612.998	519.998
Total	2.587.660	2.170.723

4.8. Provision for taxes on income from continuing operations and discontinued operations:

The profit before tax includes TL 8.474.223 (June 30, 2020 – TL 7.847.641) of net interest income, TL 3.285.188 (June 30, 2020 – TL 2.558.648) of net fees and commissions expenses, TL 1.859.988 personnel expenses (June 30, 2020 – TL 1.705.636) and other operating expenses amounting to TL 2.587.660 (June 30, 2020 - TL 2.170.723).

As of June 30, 2021, the Bank has no profit before tax from discontinued operations (June 30, 2020 – None).

4.9. Provision for taxes on income from continuing operations and discontinued operations:

As of June 30, 2021, the Bank tax expense from continued operations, from discontinued operations amounting to TL 176.558 (June 30, 2020 – TL 1.486.148) and deferred tax expense from continued operations amounting to TL 628.687 (June 30, 2020 - TL 918.532 income).

4.10. Information on net income/loss for the period:

4.10.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Bank’s current period performance.

4.10.2. The effect of the change in an estimate of financial statement items to profit / loss is not likely to affect subsequent periods

4.11. Other items in income statement:

“Other fees and commissions received” in income statement mainly includes commissions and fees from credit cards and banking transactions.

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5. Explanations and notes related to the Bank's risk group**5.1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:****5.1.1. Information on loans of the Bank's risk group:**

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Bank's risk group ⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	1.245.321	301.506	883.127	898.824	5.231.297	2.078.697
Balance at the end of the period	173.235	445.392	1.753.659	969.385	5.728.579	2.598.371
Interest and commission income received	60.754	1.202	15.592	4.251	308.780	6.366
Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Bank's risk group ⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	288.721	94.447	801.666	1.199.169	2.559.620	3.147.488
Balance at the end of the period	1.245.321	301.506	883.127	898.824	5.231.297	2.078.697
Interest and commission income received ⁽³⁾	20.928	571	12.963	4.502	222.305	7.330

(1) Defined in subsection 2 of the 49th article of the Banking Act No.5411.

(2) The information in table above includes marketable securities and due from banks as well as loans.

(3) Prior period present profit / loss information of June 30, 2020.

5.1.2. Information on deposits of the Bank's risk group:

Bank's risk group	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Bank's risk group ⁽¹⁾⁽²⁾						
Deposit						
Beginning of the period	1.949.302	756.246	24.402.131	29.776.134	30.828.068	22.505.574
End of the period	1.919.894	1.949.302	28.819.363	24.402.131	31.522.554	30.828.068
Interest expense on deposits ⁽³⁾	24.484	9.647	786.193	577.005	865.307	525.017

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes borrowings and repo transactions as well as deposits.

(3) Prior period present profit / loss information of June 30, 2020.

5.1.3. Information on forward and option agreements and other derivative instruments with the Bank's risk group

Bank's risk group	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Bank's risk group ⁽¹⁾						
Transactions at fair value through profit or loss						
Beginning of the period ⁽²⁾	1.181.891	7.110.079	1.573.859	563.016	1.585.212	10.730.513
End of the period ⁽²⁾	2.826.402	1.181.891	4.161.878	1.573.859	2.399.974	1.585.212
Total profit / (loss) ⁽³⁾	284.335	97.630	(17.785)	(6.977)	46.214	(165.463)
Transactions for hedging purposes						
Beginning of the period ⁽²⁾	-	-	516.747	1.059.016	-	-
End of the period ⁽²⁾	-	-	524.197	516.747	-	-
Total profit / (loss) ⁽³⁾	-	-	24.197	24.243	-	-

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

(3) Prior period present profit / loss information of June 30, 2020.

5.1.4. Information regarding benefits provided to the Bank's top management:

Salaries and benefits paid to the Bank's top management amount to TL 26.385 as of June 30, 2021 (June 30, 2020 - TL 16.978).

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6. Explanations and notes related to subsequent events

None.

Section six - Explanations on independent audit review report

1. Explanations on independent auditor’s audit review report

The unconsolidated financial statements for the period ended June 30, 2021 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor’s audit report dated, July 30, 2021 is presented preceding the unconsolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.

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Section seven - Information on interim activity report⁽¹⁾

1. Message from Yapı Kredi's Board of Directors Chairman Ali Y. Koç:

Turkey progresses with its economic advancement in the second quarter of 2021, as it gradually overcomes the difficulties arising from the COVID-19 pandemic, thanks to the accelerated vaccination efforts. With the devotion and self-sacrifice demonstrated by all health workers, the country gradually heads towards normalization and focuses on its long term targets.

Ever since the beginning of the pandemic, Turkish public authorities together with the banks and Turkish private sector, have strived to preserve the viability and the functioning of the economy. As the fluctuations in the international markets pose a challenge and new variants of the Coronavirus signal possible new epidemic waves, Turkey has been preserving its welfare in an uncompromising manner. Having taken all the necessary actions to overcome these difficult times, Turkish banks, once again stand agile for the possible challenges ahead and provide aid to their customers in times of need.

As health and safety continues to be the first and foremost priority for Yapı Kredi, the Bank proceeds with its contribution to the Turkish economy and the Turkish banking sector with its lasting commitment to sustainability in every aspect of its operations.

In the first six months of the year, total loans in the banking sector reached TL 3,715 billion indicating 20.1% year-over-year growth. During the same period, total deposits reached TL 3,659 billion, indicating 25.6% year-over-year growth. Accordingly, sector's loan to deposit ratio declined by 5 percentage points year-over-year staying to 102% in the first half of 2021. Thanks to the strong performance of the banking sector, non-performing loan ratio improved by 43 basis points year-to-date to 3.6%.

In this normalization period that we are going through, Yapı Kredi will continue to support the economy and its customers, while preserving its solid fundamentals with special focus on asset quality and on a healthy balance sheet.

I would hereby like to extend my thanks to all our customers and shareholders for their continuous support and trust, and our employees and their families for their devoted efforts.

Ali Y. Koç

Chairman of the Board

(1) Unless otherwise stated, all figures in the section seven are expressed in full TL.

Yapı ve Kredi Bankası A.Ş.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2. Message from Yapı Kredi's CEO Gökhan Erün:

Turkey has been successfully moving forward in its path of economic development this year, despite the pause caused by the COVID-19 pandemic since 2020, with the help of the ongoing and widespread vaccination efforts. As this massive effort to have the nation immunized, continue to have the country resume its normal way of life, the economy is also recovering from the tolls of the pandemic and its necessary preventive measures.

Even in the uncertain times caused by the pandemic, the geopolitical tensions and the volatility in the international markets, Turkish banking sector continued to preserve its solid fundamentals and to provide aid for the rejuvenation of the Turkish economy, thanks to the agile balance sheet structure, robust liquidity high capital levels and well-maintained profitability margins.

As Yapı Kredi, we continue to demonstrate our uncompromising mandate for health and safety of our employees in order to mitigate any potential risks of the pandemic. While remotely working within the headquarters of the Bank, we have redesigned our working spaces to adjust the needs of the post-pandemic era. As we proactively follow any developments over the course of the outbreak and immediately implement our measures accordingly, we remain alerted for the any potential variants of the virus. In line with the new normal in Turkey, we carefully continue to provide service through our branches while putting our accelerated efforts on digitalisation.

Looking at the first six months of the year, with a TL focused volume growth, a sustainable revenue generation, focus on asset liability management and asset quality, the Bank's total assets increased to TL 521.0 billion and net income recorded at TL 3,685 million corresponding a tangible return on average equity of 15.3%.

Yapı Kredi's strong liquidity, mainly in the foreign currency with a total liquidity coverage ratio at 149% level (foreign currency at 524%), continued to support the Bank's balance sheet in case of further possible volatilities.

Despite the negative impact arising from the macro conditions and volatility, capital adequacy ratio realized at 17.2% and Tier-1 ratio at 14.7% (excluding forbearances) supported by ongoing internal capital generation and by the positive contributions of being the first Turkish Bank to adopt IRB approach.

In terms of performing cash loans, Yapı Kredi recorded TL 307.5 billion indicating 16.4% market share among private banks. Growth was driven by Turkish Lira loans and the Bank continued to support companies and exporters. At the same time, the Bank maintained 16% market share in credit cards outstanding volume.

In the first six months of 2021, in terms of funding, the Bank recorded 12.2% customer deposit growth year-to-date, reaching to TL 279.0 billion, indicating 14.3% market share among private banks. In line with its strategic targets, the share of demand deposits in total improved 208 basis points on a year-to-date basis to 38% in first half of 2021, supporting its cost of funding. Loans to deposits ratio including Turkish Lira bonds stood at 107% as of the first six months of 2021.

Sustainability continued to be one of our strategic priorities during the first half of 2021. We have been taking significant steps to create long-term value for all stakeholders, increasing our emphasis and recognition of ESG initiatives and we are continuing to aim to reduce the environmental impact in relation to our own operations alongside with lending activities. In doing so, we signed our first sustainability linked syndicated loan of USD 962 million in May. We have declared that we will not finance new coal-fired thermal power plants and new coal mining projects, we have also secured EUR 40 million financing from Green for Growth Fund (GGF) and European Fund for Southeast Europe (EFSE).

I would like to take this opportunity to thank our customers and shareholders for their trust and our employees for their continuous efforts.

Gökhan Erün

CEO

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

3. Overview of Financial Performance:

On 30 July 2021, Yapı Kredi announced its unconsolidated results for the first six months of 2021 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank’s cash and non-cash loans reached TL 430.5 billion while total deposits reached to TL 283.3 billion. The Bank’s net income reached TL 3,685 million indicating a return on average tangible equity of 15.3%.

Local currency driven loan and deposit growth with a solid liquidity

In the first half of the year, The Bank achieved 12.0% year-to-date growth in performing loans to TL 307.5 billion, mainly driven by Turkish Lira. During the same period, the Bank’s customer deposit growth was at 12.2% year-to-date and reached TL 279.0 billion. Also, the share of demand deposits in total improved 208 basis points year to date to 38%, within the scope of continued focus on small tickets in deposit gathering. Accordingly, loan-to-deposits plus Turkish Lira bonds ratio reached to 107%. The Bank’s total and foreign currency liquidity coverage ratios realized at 149% and 524%, respectively.

Prudent and conservative asset quality approach

In the first half of 2021, Yapı Kredi’s non-performing loan ratio improved to 5.2%. (Comparable: 5.6%). Compared to 2020, non-performing loan inflows declined with strength in collections resulting in improvement in cost of risk with elevated coverages. Accordingly, cumulative cost of risk (adjusted for hedged foreign currency impact) materialised at 60 basis points in the first half of 2021. Provisions to gross loans stood at 7.5%.

Strong capital ratios and ongoing internal capital generation

In the first six months of 2021, despite the negative impact coming from the market and currency volatility the capital ratios of the Bank were supported by ongoing internal capital generation through profitability and optimization efforts and by the contribution from the IRB adoption. Hence, unconsolidated Capital Adequacy Ratio, Tier-1 ratio and Common Equity Tier-1 ratio realised at 17.2%, 14.7% and 13.2%, respectively, excluding regulatory forbearances.

Solid top-line, improving asset quality and strong liquidity

In the first six months of 2021, Yapı Kredi recorded TL 8,802 million of core banking revenues. Thanks to the ongoing loan repricing, strong demand deposit performance supporting cost of funding, net interest margin excluding linkers widened 27 basis points on a quarterly basis. With the support from CPI linker securities, swap adjusted net interest margin improved 61 basis points to 2.7% over first quarter. Yapı Kredi witnessed a substantial 28.4% improvement in year-over-year fee growth across the board thanks to ongoing diversification efforts, reaching to TL 3,285 million. Operating costs increased by 14.7% year over year -below average inflation- to TL 4,448 million. All in all, the Bank achieved a net income of TL 3,685 million and 15.3% return on average tangible equity.

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Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4. Summary of Unconsolidated Financials

TL million	Current Period	Prior Period
Total Assets	521.003	459.694
Performing Loans	307.462	274.428
Total Deposits	283.286	254.280
Shareholder's Equity	52.412	47.564
Loans/Assets	59%	60%
Deposits/Assets	54%	55%
NPL	5,2%	6,4%
CAR ⁽¹⁾	18,1%	18,2%
TL million	Current Period	Prior Period
Net Profit	3.685	2.461
Return on Average Tangible Equity	15,3%	12,1%

(1) Reported

5. Important Developments and Transactions Affecting the Bank's Financial Performance:

- On 21 May 2021, Yapı Kredi successfully signed a syndicated loan agreement totalling US\$ 962 million at 367 days maturity, with a roll-over ratio of 103%. The Bank's first sustainability linked syndicated loan facility is secured through two different tranches; US\$ 351 million and Euro 501 million. The total cost of the deal for USD and EUR is Libor+2.50% and Euribor+2.25% respectively. The proceeds of the transaction are going to be used for trade financing purposes. The sustainability performance criteria, which are determined in accordance with the goal of creating long-term sustainable value for all stakeholders of Yapı Kredi, include improvements to the Bank's electricity supply from renewable energy sources and to ESG Risk Management Score of the Bank. If the sustainability criteria are met during the specified test periods, there will be an improvement in the costs of the syndicated loan. The facility includes Yapı Kredi's key relationship partners from 20 countries and 42 financial institutions.
- On 3 June 2021, Yapı Kredi, declared that it will not finance new coal-fired thermal power plants and new coal mining projects with its updated policies.
- On 7 July 2021, Yapı Kredi signed a 15 million Euro financing agreement with the Green for Growth Fund (GGF) to be used in energy efficiency and renewable energy projects. The Bank, also secured a EUR 25 million loan from the European Fund for Southeast Europe (EFSE) to support farmers, micro and small businesses within the scope of agricultural enterprises.

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Notes to unconsolidated financial statements as of June 30, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

6. Current Trends and Expectations for the Upcoming Period:

In the first six months of 2021, Yapı Kredi revised its year-end guidance. Maintaining the return on tangible equity guidance at mid-teens. In the first three months of 2021, Yapı Kredi demonstrated a performance in line with its year-end guidance.

2021 Yapı Kredi Expectations:

- Loan-to-deposit Ratio: Below 110% level
- Capital Adequacy Ratio: Higher than 16%
- Loans: Turkish Lira loan growth at low twenties (old: Turkish Lira loan growth at high-teens)
- Net Interest Margin: Around -50 basis points contraction (excluding linkers) (old: -30 basis points contraction)
- Fees: Mid- twenties increase (old: mid-teens increase)
- Costs: Mid-teens increase
- Non-Performing Loan Ratio: below 7%
- Total Cost of Risk: Below 150 basis points (old: below 200 basis points)
- Return on Tangible Equity: Mid-teens